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

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**Form 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended **June 30, 2021**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number **001-33508**

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

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-1677033**  
(I.R.S. Employer  
Identification No.)

**1465 North Scottsdale Road, Suite 400**  
**Scottsdale, AZ 85257**  
(Address of principal executive offices, including Zip Code)  
**(602) 850-5000**  
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	LLNW	Nasdaq

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant's Common Stock, par value \$0.001 per share, as of July 22, 2021: 126,704,512 shares.

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**LIMELIGHT NETWORKS, INC.**  
**FORM 10-Q**  
**Quarterly Period Ended June 30, 2021**  
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### Special Note Regarding Forward-Looking Statement

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements contained in this Quarterly Report on Form 10-Q, other than statements of historical fact, are forward-looking statements. Forward-looking statements generally can be identified by the words “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “estimate,” or “continue,” and similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events, as well as trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These statements include, among other things:

- our beliefs regarding delivery traffic growth trends and demand for digital content and edge services;
- our expectations regarding revenue, costs, expenses, gross margin, non-GAAP earnings per share, Adjusted EBITDA and capital expenditures;
- our plans regarding investing in our eXperience Delivery Network (XDN), as well as other products and technologies;
- our beliefs regarding the competition within the digital edge platform industry;
- our beliefs regarding the growth of our business and how that impacts our liquidity and capital resources requirements;
- our expectations regarding headcount and our ability to recruit personnel;
- the impact of certain new accounting standards and guidance as well as the time and cost of continued compliance with existing rules and standards;
- our plans with respect to investments in marketable securities;
- our expectations and strategies regarding acquisitions;
- our expectations regarding litigation and other pending or potential disputes;
- our estimations regarding taxes and belief regarding our tax reserves;
- our beliefs regarding the use of Non-GAAP financial measures;
- our approach to identifying, attracting and keeping new and existing clients, our focus on core market growth segments where we have a right-to-win, as well as our expectations regarding client turnover;
- the sufficiency of our sources of funding;
- the sufficiency of our facilities to meet our needs;
- our beliefs regarding our interest rate risk;
- our beliefs regarding inflation risks;
- our beliefs regarding expense and productivity of and competition for our sales force;
- our beliefs regarding the significance of our large clients; and
- our beliefs regarding the impact of health epidemics and pandemics, including the outbreak of COVID-19, on our current and potential clients, and our balance sheet, financial condition, and results of operations.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the caption “Risk Factors” in Part II, Item 1A in this Quarterly Report on Form 10-Q and those discussed in other documents we file with the Securities and Exchange Commission (SEC).

In addition, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

The forward-looking statements contained herein are based on our current expectations and assumptions and on information available as of the date of the filing of this Quarterly Report on Form 10-Q. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Limelight," "we," "us," and "our" in this document refer to Limelight Networks, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. All information is presented in thousands, except per share amounts, client count, headcount and where specifically noted.

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

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

	June 30, 2021	December 31, 2020
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 44,065	\$ 46,795
Marketable securities	75,471	76,928
Accounts receivable, net	24,867	31,675
Income taxes receivable	57	68
Prepaid expenses and other current assets	14,557	15,588
Total current assets	159,017	171,054
Property and equipment, net	42,406	46,418
Operating lease right of use assets	8,929	10,150
Marketable securities, less current portion	40	40
Deferred income taxes	1,604	1,530
Goodwill	77,642	77,753
Other assets	6,147	7,233
Total assets	<u>\$ 295,785</u>	<u>\$ 314,178</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 12,459	\$ 4,587
Deferred revenue	524	933
Operating lease liability obligations	1,977	2,465
Income taxes payable	388	253
Other current liabilities	16,877	17,560
Total current liabilities	32,225	25,798
Convertible senior notes, net	121,371	100,945
Operating lease liability obligations, less current portion	10,358	11,265
Deferred income taxes	306	279
Deferred revenue, less current portion	272	220
Other long-term liabilities	369	479
Total liabilities	164,901	138,986
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value; 7,500 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.001 par value; 300,000 shares authorized; 126,705 and 123,653 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	127	124
Additional paid-in capital	550,205	556,512
Accumulated other comprehensive loss	(7,965)	(7,511)
Accumulated deficit	(411,483)	(373,933)
Total stockholders' equity	130,884	175,192
Total liabilities and stockholders' equity	<u>\$ 295,785</u>	<u>\$ 314,178</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 48,348	\$ 58,546	\$ 99,543	\$ 115,558
Cost of revenue:				
Cost of services	32,976	29,389	66,021	60,502
Depreciation — network	5,929	5,360	11,608	10,510
Total cost of revenue	38,905	34,749	77,629	71,012
Gross profit	9,443	23,797	21,914	44,546
Operating expenses:				
General and administrative	7,515	8,187	20,412	16,069
Sales and marketing	5,784	10,929	15,631	22,823
Research and development	5,187	5,572	11,315	11,189
Depreciation and amortization	549	323	1,089	665
Restructuring charges	2,155	—	9,028	—
Total operating expenses	21,190	25,011	57,475	50,746
Operating loss	(11,747)	(1,214)	(35,561)	(6,200)
Other income (expense):				
Interest expense	(1,305)	(71)	(2,591)	(82)
Interest income	42	6	87	31
Other, net	(440)	(312)	(655)	(421)
Total other expense	(1,703)	(377)	(3,159)	(472)
Loss before income taxes	(13,450)	(1,591)	(38,720)	(6,672)
Income tax expense	248	136	507	311
Net loss	\$ (13,698)	\$ (1,727)	\$ (39,227)	\$ (6,983)
Net loss per share:				
Basic	\$ (0.11)	\$ (0.01)	\$ (0.31)	\$ (0.06)
Diluted	\$ (0.11)	\$ (0.01)	\$ (0.31)	\$ (0.06)
Weighted average shares used in per share calculation:				
Basic	126,050	120,230	125,170	119,597
Diluted	126,050	120,230	125,170	119,597

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

**Limelight Networks, Inc.**  
**Unaudited Consolidated Statements of Comprehensive Loss**  
**(In thousands)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (13,698)	\$ (1,727)	\$ (39,227)	\$ (6,983)
Other comprehensive income (loss), net of tax:				
Unrealized gain on investments	18	—	29	—
Foreign currency translation gain (loss)	479	518	(483)	(821)
Other comprehensive income (loss)	497	518	(454)	(821)
Comprehensive loss	<u>\$ (13,201)</u>	<u>\$ (1,209)</u>	<u>\$ (39,681)</u>	<u>\$ (7,804)</u>

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

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

**For the Three Months Ended June 30, 2021**

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance March 31, 2021	125,248	\$ 125	\$ 545,516	\$ (8,462)	\$ (397,785)	\$ 139,394
Cumulative effect of adoption of new accounting pronouncement	—	—	—	—	—	—
Net loss	—	—	—	—	(13,698)	(13,698)
Change in unrealized gain on available-for-sale investments, net of taxes	—	—	—	18	—	18
Foreign currency translation adjustment, net of taxes	—	—	—	479	—	479
Exercise of common stock options	777	1	1,699	—	—	1,700
Vesting of restricted stock units	461	1	(1)	—	—	—
Restricted stock units surrendered in lieu of withholding taxes	(136)	—	(427)	—	—	(427)
Issuance of common stock under employee stock purchase plan	355	—	913	—	—	913
Share-based compensation	—	—	2,505	—	—	2,505
Balance June 30, 2021	126,705	\$ 127	\$ 550,205	\$ (7,965)	\$ (411,483)	\$ 130,884

**For the Three Months Ended June 30, 2020**

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance March 31, 2020	119,642	\$ 120	\$ 534,205	\$ (10,549)	\$ (359,912)	\$ 163,864
Net loss	—	—	—	—	(1,727)	(1,727)
Foreign currency translation adjustment, net of taxes	—	—	—	518	—	518
Exercise of common stock options	1,162	1	2,871	—	—	2,872
Vesting of restricted stock units	869	1	6	—	—	7
Restricted stock units surrendered in lieu of withholding taxes	(281)	—	(1,430)	—	—	(1,430)
Issuance of common stock under employee stock purchase plan	300	—	1,074	—	—	1,074
Share-based compensation	—	—	4,637	—	—	4,637
Balance June 30, 2020	121,692	\$ 122	\$ 541,363	\$ (10,031)	\$ (361,639)	\$ 169,815

**For the Six Months Ended June 30, 2021**

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance December 31, 2020	123,653	\$ 124	\$ 556,512	\$ (7,511)	\$ (373,933)	\$ 175,192
Cumulative effect of adoption of new accounting pronouncement	—	—	(21,733)	—	1,677	(20,056)
Net loss	—	—	—	—	(39,227)	(39,227)
Change in unrealized gain on available-for-sale investments, net of taxes	—	—	—	29	—	29
Foreign currency translation adjustment, net of taxes	—	—	—	(483)	—	(483)
Exercise of common stock options	1,935	2	4,545	—	—	4,547
Vesting of restricted stock units	1,094	1	(1)	—	—	—
Restricted stock units surrendered in lieu of withholding taxes	(332)	—	(1,098)	—	—	(1,098)
Issuance of common stock under employee stock purchase plan	355	—	913	—	—	913
Share-based compensation	—	—	11,067	—	—	11,067
Balance June 30, 2021	126,705	\$ 127	\$ 550,205	\$ (7,965)	\$ (411,483)	\$ 130,884

**For the Six Months Ended June 30, 2020**

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance December 31, 2019	118,368	\$ 118	\$ 530,285	\$ (9,210)	\$ (354,656)	\$ 166,537
Net loss	—	—	—	—	(6,983)	(6,983)
Foreign currency translation adjustment, net of taxes	—	—	—	(821)	—	(821)
Exercise of common stock options	1,860	2	5,009	—	—	5,011
Vesting of restricted stock units	1,745	2	5	—	—	7
Restricted stock units surrendered in lieu of withholding taxes	(581)	—	(2,945)	—	—	(2,945)
Issuance of common stock under employee stock purchase plan	300	—	1,074	—	—	1,074
Share-based compensation	—	—	7,935	—	—	7,935
Balance June 30, 2020	121,692	\$ 122	\$ 541,363	\$ (10,031)	\$ (361,639)	\$ 169,815

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



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

	Six Months Ended June 30,	
	2021	2020
<b>Operating activities</b>		
Net loss	\$ (39,227)	\$ (6,983)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,697	11,175
Share-based compensation	12,820	10,315
Foreign currency remeasurement loss (gain)	186	(140)
Deferred income taxes	(81)	15
Gain on sale of property and equipment	(107)	—
Accounts receivable charges	847	313
Amortization of premium on marketable securities	1,182	—
Noncash interest expense	400	—
Changes in operating assets and liabilities:		
Accounts receivable	5,962	(11,083)
Prepaid expenses and other current assets	439	(447)
Income taxes receivable	10	13
Other assets	912	1,747
Accounts payable and other current liabilities	6,732	6,937
Deferred revenue	(357)	63
Income taxes payable	141	2
Other long term liabilities	(111)	(11)
Net cash provided by operating activities	<u>2,445</u>	<u>11,916</u>
<b>Investing activities</b>		
Purchases of marketable securities	(31,411)	—
Sale and maturities of marketable securities	31,715	—
Purchases of property and equipment	(9,614)	(14,948)
Proceeds from sale of property and equipment	107	—
Net cash used in investing activities	<u>(9,203)</u>	<u>(14,948)</u>
<b>Financing activities</b>		
Payment of debt issuance costs	(30)	—
Payments of employee tax withholdings related to restricted stock vesting	(1,098)	(2,945)
Proceeds from employee stock plans	5,460	6,092
Net cash provided by financing activities	<u>4,332</u>	<u>3,147</u>
Effect of exchange rate changes on cash and cash equivalents	(304)	(250)
Net decrease in cash and cash equivalents	<u>(2,730)</u>	<u>(135)</u>
Cash and cash equivalents, beginning of period	46,795	18,335
Cash and cash equivalents, end of period	<u>\$ 44,065</u>	<u>\$ 18,200</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for interest	<u>\$ 2,262</u>	<u>\$ 82</u>
Cash paid during the period for income taxes, net of refunds	<u>\$ 440</u>	<u>\$ 261</u>

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

**Limelight Networks, Inc.**  
**Notes to Unaudited Consolidated Financial Statements**  
**June 30, 2021**

## **1. Nature of Business**

Limelight Networks, Inc., is an industry-leader in edge access and content delivery services that provides powerful tools and a client-first approach to optimize and deliver digital experiences at the edge. We are a trusted partner to the world's biggest brands and serve their global customers with experiences such as livestream sporting events, global movie launches, video games, or file downloads for new phone apps. We offer one of the largest, best-optimized private networks coupled with a global team of industry experts to provide edge services that are fast, secure, and reliable.

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 unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities Exchange Commission (SEC). They do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. Such interim financial information is unaudited but reflects all adjustments that are, in the opinion of management, necessary for the fair presentation of the interim periods presented and of a normal recurring nature. This quarterly report on Form 10-Q should be read in conjunction with our audited financial statements and footnotes included in our annual report on Form 10-K for the fiscal year ended December 31, 2020. All information is presented in thousands, except per share amounts and where specifically noted.

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 year amounts to conform to the current year 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 quarterly report on Form 10-Q are not necessarily indicative of the results that may be expected for the year ending December 31, 2021, or for any future periods.

### ***Recent Accounting Standards***

#### **Adopted Accounting Standards**

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12 to simplify the accounting for income taxes. ASU 2019-12 is intended to simplify various aspects related to accounting for income taxes, eliminates certain exceptions to the general principles in the Accounting Standards Codification (ASC) Topic 740 related to intra-period tax allocation, simplifies when companies recognize deferred taxes in an interim period, and clarifies certain aspects of the current guidance to promote consistent application. We adopted this guidance effective January 1, 2021. The adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, which simplifies the accounting for convertible instruments. ASU 2020-06 eliminates certain models that require separate accounting for embedded conversion features, in certain cases. Additionally, among other changes, the guidance eliminates certain of the conditions for equity classification for contracts in an entity's own equity. ASU 2020-06 also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. We early adopted this guidance on January 1, 2021, on a modified retrospective basis. As a result of the adoption of ASU 2020-06, our total remaining interest expense over the contractual terms of our convertible debt will be approximately \$20,823 less than under the previous accounting standards. The adoption resulted in a \$21,733 decrease in additional paid in capital from the derecognition of the bifurcated equity component, \$20,255 increase in debt from the derecognition of the discount associated with the bifurcated equity component and \$1,677 decrease to the opening balance of accumulated deficit, representing the cumulative interest expense recognized related to the

amortization of the bifurcated conversion option. We wrote-off the related deferred tax liabilities with a corresponding adjustment to the valuation allowance, resulting in no net tax impact to the cumulative adjustment to retained earnings.

### Significant Accounting Policies

There have been no changes in the significant accounting policies from those that were disclosed in our Annual Report, except for restructuring charge and convertible senior notes as described below:

#### Restructuring Charges

We account for restructuring costs under ASC 420, Exit or Disposal Obligations. Restructuring costs are recognized when the liability is incurred. A restructuring liability related to employee terminations is recorded when a one-time benefit arrangement is communicated to an employee who is involuntarily terminated as part of a reorganization and the amount of the termination benefit is known, provided that the employee is not required to render future services in order to receive the termination benefit. If fixed assets, or other assets are to be disposed of as a result of our restructuring efforts, the assets are written off when we commit to dispose of them, and they are no longer in use. If applicable, depreciation is accelerated on fixed assets for the period of time the asset continues to be used until the asset ceases to be used. Other restructuring costs are generally recorded as the cost is incurred or the service is provided.

#### Convertible Senior Notes

In July 2020, we issued \$125,000 aggregate principal amount of 3.50% convertible senior notes. Effective January 1, 2021, we early adopted ASU 2020-06. The conversion option that was previously accounted for under the cash conversion model or beneficial conversion feature model was recombined into a single instrument that is classified as a liability for convertible debt or equity for equity-classified preferred stock.

#### Revenue Recognition

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

For contracts that contain minimum commitments over the contractual term, we estimate an amount of variable consideration by using the expected value method. 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. We believe that the expected value method is the most appropriate estimate of the amount of variable consideration. These clients have entered into contracts with contract terms generally from one to four years. As of June 30, 2021, we have approximately \$5,159 of remaining unsatisfied performance obligations. We recognized revenue of approximately \$2,455 and \$1,943, respectively, during the three months ended June 30, 2021 and 2020, related to these types of contracts with our clients. During the six months ended June 30, 2021 and 2020, we recognized approximately \$4,356 and \$4,097, respectively. We expect to recognize approximately 67% of the remaining unsatisfied performance obligations in 2021, approximately 31% in 2022, and approximately 2% in 2023.

### 3. Investments in Marketable Securities

The following is a summary of marketable securities (designated as available-for-sale) at June 30, 2021:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Certificate of deposit	\$ 1,928	\$ —	\$ 1	\$ 1,927
Corporate notes and bonds	34,334	—	13	34,321
Municipal securities	39,268	2	7	39,263
Total marketable securities	<u>\$ 75,530</u>	<u>\$ 2</u>	<u>\$ 21</u>	<u>\$ 75,511</u>

The amortized cost and estimated fair value of marketable securities at June 30, 2021, 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	\$ 75,333	\$ 2	\$ 21	\$ 75,314
Due after one year and through five years	197	—	—	197
Total marketable securities	<u>\$ 75,530</u>	<u>\$ 2</u>	<u>\$ 21</u>	<u>\$ 75,511</u>

The following is a summary of marketable securities (designated as available-for-sale) at December 31, 2020:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Certificate of deposit	\$ 551	\$ —	\$ —	\$ 551
Corporate notes and bonds	45,426	—	41	45,385
Municipal securities	31,039	1	8	31,032
Total marketable securities	<u>\$ 77,016</u>	<u>\$ 1</u>	<u>\$ 49</u>	<u>\$ 76,968</u>

The amortized cost and estimated fair value of marketable securities at December 31, 2020, 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	\$ 76,976	\$ 1	\$ 49	\$ 76,928
Due after one year and through five years	40	—	—	40
Total marketable securities	<u>\$ 77,016</u>	<u>\$ 1</u>	<u>\$ 49</u>	<u>\$ 76,968</u>

#### 4. Accounts Receivable, net

Accounts receivable, net include:

	June 30, 2021	December 31, 2020
Accounts receivable	\$ 26,418	\$ 32,857
Less: credit allowance	(180)	(170)
Less: allowance for doubtful accounts	(1,371)	(1,012)
Total accounts receivable, net	<u>\$ 24,867</u>	<u>\$ 31,675</u>

The following is a roll-forward of the allowances for doubtful accounts related to trade accounts receivable for the six months ended June 30, 2021 and the twelve months ended December 31, 2020:

	Six Months Ended June 30, 2021	Twelve Months Ended December 31, 2020
Beginning of period	\$ 1,012	\$ 973
Provision for credit losses	847	801
Write-offs	(488)	(762)
End of period	<u>\$ 1,371</u>	<u>\$ 1,012</u>

#### 5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets include:

	June 30, 2021	December 31, 2020
Prepaid bandwidth and backbone	2,239	3,519
VAT receivable	4,733	4,392
Prepaid expenses and insurance	2,977	2,906
Vendor deposits and other	4,608	4,771
Total prepaid expenses and other current assets	\$ 14,557	\$ 15,588

## 6. Property and Equipment, net

Property and equipment, net include:

	June 30, 2021	December 31, 2020
Network equipment	\$ 133,383	\$ 136,788
Computer equipment and software	7,132	7,358
Furniture and fixtures	1,607	1,703
Leasehold improvements	7,461	7,470
Other equipment	17	21
Total property and equipment	149,600	153,340
Less: accumulated depreciation	(107,194)	(106,922)
Total property and equipment, net	\$ 42,406	\$ 46,418

Cost of revenue depreciation expense related to property and equipment was approximately \$5,929 and \$5,360, respectively, for the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, respectively, cost of revenue depreciation expense related to property and equipment was approximately \$11,608 and \$10,510, respectively.

Operating expense depreciation and amortization expense related to property and equipment was approximately \$549 and \$323, respectively, for the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, respectively, operating expense depreciation expense related to property and equipment was approximately \$1,089 and \$665, respectively.

## 7. Other Current Liabilities

Other current liabilities include:

	June 30, 2021	December 31, 2020
Accrued compensation and benefits	\$ 5,462	\$ 5,964
Accrued cost of revenue	4,075	5,036
Accrued interest payable	1,823	1,894
Restructuring charges	1,272	—
Other accrued expenses	4,245	4,666
Total other current liabilities	\$ 16,877	\$ 17,560

## 8. Debt

### Convertible Senior Notes - Due 2025

On July 27, 2020, we issued \$125,000 aggregate principal amount of 3.50% Convertible Senior Notes due 2025 (the Notes), including the initial purchasers' exercise in full of their option to purchase an additional \$15,000 principal amount of the Notes, in a private placement to qualified institutional buyers in an offering exempt from registration under the Securities Act of 1933, as amended. The net proceeds from the issuance of the Notes was \$120,741 after deducting transaction costs.

The Notes are governed by an indenture (the Indenture) between us, as the issuer, and U.S. Bank, National

Association, as trustee. The Notes are senior, unsecured obligations of ours and will be equal in right of payment with our senior, unsecured indebtedness; senior in right of payment to our indebtedness that is expressly subordinated to the notes; effectively subordinated to our senior, secured indebtedness, including future borrowings, if any, under our \$20,000 credit facility with Silicon Valley Bank (SVB), to the extent of the value of the collateral securing that indebtedness; and structurally subordinated to all indebtedness and other liabilities, including trade payables, and (to the extent we are not a holder thereof) preferred equity, if any, of our subsidiaries. The Indenture includes customary covenants and sets forth certain events of default after which the Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving us after which the Notes become automatically due and payable.

The Notes mature on August 1, 2025, unless earlier converted, redeemed or repurchased in accordance with their term prior to the maturity date. Interest is payable semiannually in arrears on February 1 and August 1 of each year, beginning on February 1, 2021. The holders of the Notes may convert all or any portion of their Notes at their option only in the following circumstances:

(1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2020 (and only during such calendar quarter), if the last reported sale price per share of our common stock exceeds 130% of the conversion price of \$8.53 for each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;

(2) during the five consecutive business days immediately after any ten consecutive trading day period (such ten consecutive trading day period, the measurement period) in which the trading price per \$1 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of our common stock on such trading day and the conversion rate on such trading day;

(3) upon the occurrence of certain corporate events or distributions of our common stock;

(4) if we call such Notes for redemption; and

(5) at any time from, and including, May 1, 2025, until the close of business on the second scheduled trading day immediately before the maturity date.

On or after May 1, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes, in minimum principal amount denominations of \$1 or any integral multiple of \$1 in excess thereof, at the option of the holder regardless of the foregoing circumstances. Upon conversion, we may satisfy our conversion obligation by paying or delivering, as applicable, cash, shares of common stock or a combination of cash and shares of common stock, at our election, in the manner and subject to the terms and conditions provided in the Indenture. The Notes have an initial conversion rate of 117.2367 shares of our common stock per \$1 principal amount of Notes, which is equal to an initial conversion price of approximately \$8.53 per share of our common stock. The initial conversion price of the notes represents a premium of approximately 27.5% over the last reported sale price of our common stock on The Nasdaq Global Select Market of \$6.69 per share on July 22, 2020. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture. In addition, following certain corporate events that occur prior to the maturity date or if we deliver a notice of redemption, we will increase the conversion rate in certain circumstances for a holder who elects to convert its Notes in connection with such a corporate event or convert its Notes called (or deemed called) for redemption in connection with such notice of redemption, provided that the conversion rate will not exceed 149.4768 share of our common stock per \$1 principal amount of Notes, subject to adjustment.

We may not redeem the Notes prior to August 4, 2023. We may redeem for cash all, or any portion in an authorized denomination, of the Notes, at our option, on or after August 4, 2023, and on or prior to the 41st scheduled trading day immediately preceding the maturity date, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, whether or not consecutive, including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Notes, which means that we are not required to redeem or retire the Notes periodically.

If we undergo a fundamental change (as defined in the Indenture), holders may require us to repurchase for cash all or any portion of their Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

As of June 30, 2021, the conditions allowing holders of the Notes to convert had not been met and therefore the Notes are not yet convertible. The Notes are classified as long-term debt on our condensed consolidated balance sheet as of June 30,

2021, and the liability component of the notes are classified as long-term debt on our condensed consolidated balance sheet as of December 31, 2020.

At the time of issuance in July 2020, we separately accounted for the liability and equity components of the Notes. We determined the initial carrying amount of the \$102,500 liability component before consideration of debt discount and transaction fees by calculating the present value of the cash flows using an effective interest rate of 8.6%. The interest rate was determined based on non-convertible debt offerings of similar sizes and terms by companies with similar credit ratings (Level 2 inputs). The carrying amount of the equity component, representing the conversion option, was \$22,500 and was calculated by deducting the initial carrying value of the liability component from the principal amount of the Notes as a whole. This difference represents a debt discount that is amortized to interest expense over the 5-year contractual term of the Notes using the effective interest rate method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. On January 1, 2021, we early adopted ASU 2020-06 on a modified retrospective basis. As a result of the adoption of ASU 2020-06, our total remaining interest expense over the contractual terms of our convertible debt will be approximately \$20,823 less than under the previous accounting standards. The adoption resulted in a \$21,733 decrease in additional paid in capital from the derecognition of the bifurcated equity component, \$20,255 increase in debt from the derecognition of the discount associated with the bifurcated equity component and \$1,677 decrease to the opening balance of accumulated deficit, representing the cumulative interest expense recognized related to the amortization of the bifurcated conversion option.

We initially allocated transaction costs related to the issuance of the Notes to the liability and equity components using the same proportions as the initial carrying value of the Notes. Transaction costs initially attributable to the liability component were \$3,400 and are being amortized to interest expense using the effective interest method over the term of the Notes. Transaction costs attributable to the equity component were \$859. Following the adoption of ASU 2020-06, the transaction costs attributable to the original equity component are now being amortized to interest expense over the remaining term of the Notes.

The net carrying amount of the liability and equity components of the Notes was as follows:

	June 30, 2021	December 31, 2020
Liability component:		
Principal	\$ 125,000	\$ 125,000
Debt discount (equity component)	—	(20,823)
Unamortized transaction costs	(3,629)	(3,232)
Net carrying amount	<u>\$ 121,371</u>	<u>\$ 100,945</u>
Equity component, net of transaction costs	<u>\$ —</u>	<u>\$ 21,733</u>

Interest expense recognized related to the Notes was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Contractual interest expense	\$ 1,094	\$ —	\$ 2,165	\$ —
Amortization of debt discount	—	—	—	—
Amortization of transaction costs	201	—	400	—
Total	<u>\$ 1,295</u>	<u>\$ —</u>	<u>\$ 2,565</u>	<u>\$ —</u>

As of June 30, 2021, and December 31, 2020, the estimated fair value of the Notes was \$113,804 and \$114,233, respectively. We estimated the fair value based on the quoted market prices in an inactive market on the last trading day of the reporting period, which are considered Level 2 inputs.

### ***Capped Call Transactions***

In connection with the offering of the Notes, we entered into privately negotiated capped call transactions with certain counterparties (collectively, the Capped Calls). The Capped Calls have an initial strike price of approximately \$8.53 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have an initial cap price of \$13.38 per share, subject to certain adjustments. The Capped Calls are generally intended to reduce or offset the

potential economic dilution of approximately 14.7 million shares to our common stock upon any conversion of the Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. As the Capped Calls are considered indexed to our own stock and are equity classified, they are recorded in stockholders' equity and are not accounted for as derivatives. The cost of \$16,400 incurred in connection with the Capped Calls was recorded as a reduction to additional paid-in capital.

### Line of Credit

In November 2015 we entered into the original Loan and Security Agreement (the Credit Agreement) with SVB. Since the inception, there have been seven amendments, with the most recent amendment being in December 2020. The maximum principal commitment amount remains at \$20,000. Our borrowing capacity is the lesser of the commitment amount or 80% of eligible accounts receivable. All outstanding borrowings owed under the Credit Agreement become due and payable no later than the final maturity date of November 2, 2022. As long as our Adjusted Quick Ratio remains above 1.5 to 1, we no longer are required to submit quarterly borrowing base reports.

As of June 30, 2021, and December 31, 2020, we had no outstanding borrowings, and we had availability under the Credit Agreement of \$18,000 and \$20,000, respectively.

As of June 30, 2021, 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.

Amendment fees and other commitment fees are included in interest expense. During the three months ended June 30, 2021 and 2020, there was no interest expense, and fees expense and amortization was \$10 and \$71, respectively. For the six months ended June 30, 2021 and 2020, there was no interest expense, and fees expense and amortization was \$26 and \$82, 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 the voting stock of each such foreign subsidiary.

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 June 30, 2021, we were in compliance with our covenant under the Credit Agreement.

### 9. Restructuring Charge

During the first quarter of 2021, management committed to an action to restructure certain parts of the company to focus on improved growth and profitability. As a result, certain headcount reductions were implemented, and we incurred certain charges related to severance, share-based compensation and professional fees. During the three months ended June 30, 2021, we incurred \$2,155 of costs related to this restructuring plan. We do not expect any additional restructure charges related to this action plan.

The following table summarizes the activity of our restructuring accrual (recorded in other current liabilities on our condensed consolidated balance sheet) during the three and six months ended June 30, 2021 (in thousands):

	Employee Severance and Related Benefits	Share-Based Compensation	Professional Fees and Other	Total
Balance as of January 1, 2021	\$ —	\$ —	\$ —	\$ —
Costs incurred (recorded in restructuring charge)	3,513	1,354	2,006	6,873
Cash disbursements	(1,143)	—	(237)	(1,380)
Non-cash charges	—	(1,354)	—	(1,354)
Balance as of March 31, 2021	\$ 2,370	\$ —	\$ 1,769	\$ 4,139
Costs incurred (recorded in restructuring charge)	\$ (247)	\$ 917	\$ 1,485	\$ 2,155
Cash disbursements	\$ (1,203)	\$ —	\$ (2,902)	\$ (4,105)
Non-cash charges	\$ —	\$ (917)	\$ —	\$ (917)
Balance as of June 30, 2021	\$ 920	\$ —	\$ 352	\$ 1,272



## 10. Contingencies

### Legal Matters

We are subject to various 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 material legal contingencies were accrued as of June 30, 2021, and December 31, 2020. 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 clients, which could reduce their demand for our services. For example, tax authorities in various states and abroad may impose taxes on the 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 Loss per Share

We calculate basic and diluted 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 loss per share. Diluted loss 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 loss per share for the periods indicated (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (13,698)	\$ (1,727)	\$ (39,227)	\$ (6,983)
Basic weighted average outstanding shares of common stock	126,050	120,230	125,170	119,597
Basic weighted average outstanding shares of common stock	126,050	120,230	125,170	119,597
Dilutive effect of stock options, restricted stock units, and other equity incentive plans	—	—	—	—
Diluted weighted average outstanding shares of common stock	126,050	120,230	125,170	119,597
Basic net loss per share	\$ (0.11)	\$ (0.01)	\$ (0.31)	\$ (0.06)
Diluted net loss per share:	\$ (0.11)	\$ (0.01)	\$ (0.31)	\$ (0.06)

For the three and six months ended June 30, 2021 and 2020, respectively, the following potentially dilutive common stock, including awards granted under our equity incentive compensation plans were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Employee stock purchase plan	95	68	95	68
Stock options and warrants	2,119	6,510	2,758	6,232
Restricted stock units	548	1,764	841	1,846
Convertible senior notes	14,654	—	14,654	—
	<u>17,416</u>	<u>8,342</u>	<u>18,348</u>	<u>8,146</u>

## 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. During the six months ended June 30, 2021 and 2020, we did not repurchase any shares under the repurchase program. As of June 30, 2021, there remained \$21,200 under this share repurchase program.

### *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 2007 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 June 30, 2021 was approximately 14,177.

### *Employee Stock Purchase Plan*

In June 2013, our stockholders approved our 2013 Employee Stock Purchase Plan (ESPP), authorizing the issuance of 4,000 shares. In May 2019, our stockholders approved the adoption of Amendment 1 to the ESPP. Amendment 1 increased the number of shares authorized to 9,000 shares (an increase of 5,000 shares) and amended the maximum number of shares of common stock that an eligible employee may be permitted to purchase during each offering period to be 5 shares. 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 three and six months ended June 30, 2021, we issued 355 shares under the ESPP. Total cash proceeds from the purchase of shares under the ESPP was approximately \$913. As of June 30, 2021, shares reserved for issuance to employees under this plan totaled 3,330, and we held employee contributions of \$245 (included in other current liabilities) for future purchases under the ESPP.

### *Preferred Stock*

Our board of directors has authorized the issuance of up to 7,500 shares of preferred stock at June 30, 2021. 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 June 30, 2021, the board of directors 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 six months ended June 30, 2021, was as follows:

	Foreign Currency	Available for Sale Securities	Total
Balance, December 31, 2020	\$ (7,460)	\$ (51)	\$ (7,511)
Other comprehensive loss before reclassifications	(483)	29	(454)
Amounts reclassified from accumulated other comprehensive loss	—	—	—
Net current period other comprehensive loss	(483)	29	(454)
Balance, June 30, 2021	\$ (7,943)	\$ (22)	\$ (7,965)

#### 14. Share-Based Compensation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Share-based compensation expense by type:				
Stock options and warrants	\$ 1,341	\$ 1,071	\$ 7,251	\$ 2,119
Restricted stock units	2,875	3,819	5,279	7,700
ESPP	42	361	290	496
Total share-based compensation expense	\$ 4,258	\$ 5,251	\$ 12,820	\$ 10,315
Share-based compensation expense:				
Cost of services	\$ 458	\$ 792	\$ 704	\$ 1,555
General and administrative expense	1,874	2,257	7,902	4,498
Sales and marketing expense	395	1,322	958	2,550
Research and development expense	614	880	985	1,712
Restructuring charge	917	—	2,271	—
Total share-based compensation expense	\$ 4,258	\$ 5,251	\$ 12,820	\$ 10,315

Unrecognized share-based compensation expense totaled approximately \$11,767 at June 30, 2021, of which \$5,023 related to stock options and warrants and \$6,744 related to restricted stock units. We currently expect to recognize share-based compensation expense of \$4,505 during the remainder of 2021, \$4,744 in 2022, and the remainder thereafter based on scheduled vesting of the stock options and restricted stock units outstanding at June 30, 2021.

During the three months ended June 30, 2021, we issued two common stock warrants to an outside consulting firm. The first warrant was for up to an aggregate of 441,867 shares at an exercise price per share equal to \$0.01 per share, and the second warrant was for up to an aggregate of 662,800 shares at an exercise price per share equal to \$3.72 per share. The total expected expense to be recognized for both warrants is approximately \$2,700. During the three months ended June 30, 2021, we recognized approximately \$917 in share-based compensation expense, which is included in the restructure charge. The warrants become exercisable as follows:

- 50% of each warrant is subject to time-based vesting over approximately 1 year; and
- 50% of each warrant is subject to performance-based vesting based on certain specific financial and operational metrics.

During the three months ended June 30, 2021, 55,233 shares from the first warrant and 82,850 shares from the second warrant vested. Those shares are now exercisable, subject to and conditioned upon the rights and restrictions contained in such warrants.

During the three months ended March 31, 2021, we entered into transition agreements with four executives, which resulted in the modification of previously issued equity grants. The modifications were the result of us accelerating vesting after termination and extending the period of time the employee receives to exercise their outstanding non-qualified stock options. The extension of time to exercise their outstanding non-qualified stock options for the four individuals impacted ranged from six months to two years. The incremental expense recorded as a result of the modifications was \$4,310, of which \$1,116 was included in restructure charge, and \$3,194 included in general and administrative expense.

**15. Operating Leases - Right of Use Assets and Purchase Commitments*****Right of Use Assets***

We have various operating leases for office space that expire through 2030. Below is a summary of our right of use assets and liabilities as of June 30, 2021.

Right-of-use assets	\$ 8,929
Lease liability obligations, current	\$ 1,977
Lease liability obligations, less current portion	10,358
Total lease liability obligations	\$ 12,335
Weighted-average remaining lease term	8.0 years
Weighted-average discount rate	5.05 %

During the three months ended June 30, 2021, we recognized approximately \$671 in operating lease costs. Operating lease costs of \$129 are included in cost of revenue, and \$542 are included in operating expenses in our consolidated statements of operations. During the three months ended June 30, 2021, cash paid for operating leases was approximately \$782. For the six months ended June 30, 2021, we recognized approximately \$1,430 in operating lease costs. Operating lease costs of \$244 are included in cost of revenue, and \$1,186 are included in operating expenses in our consolidated statements of operations. For the six months ended June 30, 2021, cash paid for operating leases was approximately \$1,562.

During the three months ended June 30, 2020, we recognized approximately \$794 in operating lease costs. Operating lease costs of \$118 are included in cost of revenue, and \$676 are included in operating expenses in our consolidated statements of operations. During the three months ended June 30, 2020, cash paid for operating leases was approximately \$472. For the six months ended June 30, 2020, we recognized approximately \$1,598 in operating lease costs. Operating lease costs of \$249 are included in cost of revenue, and \$1,349 are included in operating expenses in our consolidated statements of operations. For the six months ended June 30, 2020, cash paid for operating leases was approximately \$965.

Approximate future minimum lease payments for our right of use assets over the remaining lease periods as of June 30, 2021, are as follows:

Remainder of 2021	\$ 1,376
2022	2,230
2023	1,743
2024	1,441
2025	1,440
Thereafter	6,829
Total minimum payments	15,059
Less: amount representing interest	2,724
Total	\$ 12,335

***Purchase Commitments***

We have long-term commitments for bandwidth usage and co-location with various networks and Internet service providers. The following summarizes our minimum non-cancellable commitments for future periods as of June 30, 2021:

Remainder of 2021	\$ 28,919
2022	29,986
2023	11,448
2024	5,459
2025	4,969
Thereafter	2,562
Total minimum payments	\$ 83,343

## 16. Concentrations

During the three and six months ended June 30, 2021 and 2020, respectively, we had two clients, Amazon and Sony, who each represented 10% or more of our total revenue.

Revenue from clients located within the United States, our country of domicile, was \$29,017 for the three months ended June 30, 2021, compared to \$35,605 for the three months ended June 30, 2020. For the six months ended June 30, 2021, revenue from clients located within the United States \$57,170, compared to \$69,623 for the six months ended June 30, 2020.

During the three months ended June 30, 2021, based on client location, we had two countries, the United States and Japan, that accounted for 10% or more of our total revenue. During the six months ended June 30, 2021, and the three and six months ended June 30, 2020, respectively, based on client location, we had three countries, the United States, Japan, and the United Kingdom, that accounted for 10% or more of our total revenue.

## 17. Income Taxes

Income taxes for the interim periods presented have been included in the accompanying consolidated financial statements on the basis of an estimated annual effective tax rate. Based on an estimated annual effective tax rate and discrete items, income tax expense for the three months ended June 30, 2021 and 2020 was \$248 and \$136, respectively. For the six months ended June 30, 2021 and 2020, income tax expense was \$507 and \$311, respectively. Income tax expense was different than the statutory income tax rate primarily due to us providing for a valuation allowance on deferred tax assets in certain jurisdictions, and the recording of state and foreign tax expense for the three month periods.

We file income tax returns in jurisdictions with varying statutes of limitations. Tax years 2017 through 2019 remain subject to examination by federal tax authorities. Tax years 2016 through 2019 generally remain subject to examination by state tax authorities. As of June 30, 2021, we are not under any federal or state examination for income taxes.

For the three and six months ended June 30, 2021 and 2020, there was no impact to income tax expense related to the Global Intangible Low-Taxed Income inclusion (GILTI) as a result of our net operating loss carryforwards (NOL) and valuation allowance position. We do not expect the GILTI to have a material impact on future earnings due to our NOL and valuation allowance position.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. We have evaluated the impact of the CARES Act, and do not expect that the NOL carryback provision of the CARES Act will result in a cash benefit to us.

## 18. Segment Reporting and Geographic Areas

Our chief operating decision maker (who is our Chief Executive Officer) reviews our 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 client from which the revenue is earned. The following table sets forth our revenue by geographic area:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Americas	\$ 29,677	61 %	\$ 36,343	62 %	\$ 58,367	59 %	\$ 71,058	62 %
EMEA	5,306	11 %	9,262	16 %	14,559	14 %	18,821	16 %
Asia Pacific	13,365	28 %	12,941	22 %	26,617	27 %	25,679	22 %
Total revenue	\$ 48,348	100 %	\$ 58,546	100 %	\$ 99,543	100 %	\$ 115,558	100 %

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

Country / Region	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
United States / Americas	\$ 29,017	\$ 35,605	\$ 57,170	\$ 69,623
United Kingdom / EMEA	\$ 3,274	\$ 7,483	\$ 10,356	\$ 15,077
Japan / Asia Pacific	\$ 7,611	\$ 8,326	\$ 15,659	\$ 16,548

The following table sets forth long-lived assets by geographic area in which the assets are located:

	June 30, 2021	December 31, 2020
Americas	\$ 29,922	\$ 32,626
International	12,484	13,792
Total long-lived assets	\$ 42,406	\$ 46,418

## 19. Fair Value Measurements

As of June 30, 2021, and December 31, 2020, 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 June 30, 2021:

Description	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Money market funds (2)	\$ 8,869	\$ 8,869	\$ —	\$ —
Certificate of deposit (1)	1,927	—	1,927	—
Corporate notes and bonds (1)	34,321	—	34,321	—
Municipal securities (1)	39,263	—	39,263	—
Total assets measured at fair value	\$ 84,380	\$ 8,869	\$ 75,511	\$ —

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

The following is a summary of fair value measurements at December 31, 2020:

Description	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Money market funds (2)	\$ 12,370	\$ 12,370	\$ —	\$ —
Certificate of deposit (1)	551	—	551	—
Corporate notes and bonds (1)	45,385	—	45,385	—
Municipal securities	31,032	—	31,032	—
Total assets measured at fair value	\$ 89,338	\$ 12,370	\$ 76,968	\$ —

- (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.

**20. Subsequent Event**

On July 28, 2021, we signed a definitive agreement to acquire all of the issued and outstanding shares, options, warrants, convertible securities and other outstanding equity interests of Moov Corporation, doing business as Layer0, in exchange for purchase consideration of approximately \$55,000 in the aggregate, subject to certain customary adjustments for transactions of this nature. The purchase consideration consists of approximately \$32,500 in cash and \$22,500 in shares of our common stock, par value \$0.001 per share, of which approximately \$5,000 in cash and stock will vest over three years for the Co-Founder, as a result of a re-vesting condition imposed against his Moov Corporation stock as part of the transaction. The number of shares of our common stock to be issued will be calculated based on the volume-weighted average price per share of our common stock over the 20 consecutive trading day period ended on and including the third trading day immediately prior to the date of the closing. As part of the purchase agreement, there is an incentive equity pool of \$30,000 of restricted stock units, to be granted to Moov Corporation employees (including the Co-Founder) if they meet certain vesting criteria as follows:

- \$10,000 is subject to time-based vesting; and
- \$20,000 is subject to achieving certain financial and operational metrics by June 30, 2025.

Our common stock will be issued through a private placement to accredited investors only and will be subject to Rule 144 transfer restrictions. Non-accredited investors of Moov Corporation will receive cash. The transaction is subject to certain customary closing conditions and is expected to close in August 2021.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2020, included in Part II of our annual report on Form 10-K, as filed with the SEC, on February 12, 2021.

Prior period information has been modified to conform to current year presentation. All information in this Item 2 is presented in thousands, except per share amounts and client count and where otherwise specifically noted.

### Overview

We were founded in 2001 as a provider of content delivery network services to deliver digital content over the internet. We began development of our infrastructure in 2001 and began generating meaningful revenue in 2002. Today, we are an industry-leader in edge access and content delivery services that provides powerful tools and a client-first approach to optimize and deliver digital experiences at the edge. We are a trusted partner to the world's biggest brands and serve their global customers with experiences such as livestream sporting events, global movie launches, video games, or file downloads for new phone apps. We offer one of the largest, best-optimized private networks coupled with a global team of industry experts to provide edge services that are fast, secure, and reliable. Our mission is to securely manage and globally deliver digital content, building client satisfaction through exceptional reliability and performance.

Our business is dependent on creating an exceptional digital experience by providing our clients with fast, safe, efficient, and reliable edge access and distribution of content delivery and digital asset management services over the Internet every minute of every day. Because of this, we operate a globally distributed network with services that are available 24 hours a day, seven days a week, and 365 days a year. Our sophisticated and powerful network is fully redundant and includes extensive diversity through data center and telecommunication suppliers within and across regions.

Our delivery services represented approximately 76% and 79%, respectively, of our total revenue during the three and six months ended June 30, 2021. We also generate revenue through the sale of professional services and other infrastructure services, such as transit and rack space services.

In early 2020, the WHO declared COVID-19 a global pandemic. This pandemic has disrupted the normal operations of many businesses, including ours; however, our level of service has remained uninterrupted. There also has been no material impact to our financial reporting systems, internal control over financial reporting, and disclosure controls and procedures. The future impacts of the COVID-19 pandemic remain uncertain. Nevertheless, while it is difficult to predict what the world will look like when this pandemic has run its course, we currently do not expect the COVID-19 pandemic to have a material adverse impact on our balance sheet, financial condition, and results of operations, nor do we expect any impairment of goodwill, long-lived assets or right of use assets.

We provide our services in a hyper competitive industry, where differentiation is primarily measured by performance and cost where the difference between providers can be as small as a fraction of a percent. We have experienced the commoditization of our once innovative and highly valued service, which, when combined with the low switching costs in a multi-CDN environment, results in on-going price compression, despite the large, unmet market need for our services. During the first half of 2021, we continued to see a decline in our average selling price, primarily the result of on-going price compression with our multi-CDN clients.

In February 2021, Bob Lyons joined the company as President, Chief Executive Officer and Director, replacing Bob Lento. Since that date and under Mr. Lyon's leadership, we have established and begun implementing a go-forward strategy designed to simultaneously address short-term headwinds and to position us to achieve near- and long-term success by building upon and more fully leveraging our ultra-low latency, global network, and operational expertise. We are focused on three key areas:

- **Improving our core:** Our ability to consistently grow revenue requires us to do a better job at managing the cost structure of our network while anticipating and providing our clients with the tools and reliable performance they need and to do it sooner and better than our competitors. Our recent revenue and profitability trends have been adversely impacted by our costs of services and operating expenses. Our operating expenses are largely driven by payroll and related employee costs. We have implemented a broader and more detailed operating model built on metrics, process discipline, and improvements to client satisfaction, performance, and cost. We are building an internal culture that embraces speed, transparency, and accountability. We also announced tangible steps to improve our cost competitiveness, with a reduction in workforce by approximately 16% in March of 2021. As a result, our employee headcount decreased from 618 on December 31, 2020, to 510 on March 31, 2021. As



of June 30, 2021, our employee headcount was 459. We recorded additional restructuring charges of \$2,155 during the three months ended June 30, 2021, for a total of \$13,855 in restructuring and transition related costs during the first half of 2021. We believe these actions will result in approximately \$15,000 of recurring annual savings, primarily in selling, general and administrative expense. We are also continuously seeking opportunities to be more efficient and productive in order to achieve cost savings and improve our profitability.

• **Expanding our core:** We recently announced the hiring of Eric Armstrong as Senior Vice President of Growth. We are redesigning our commercial and product approaches to strengthen and broaden our key client relationships, to support a land and expand strategy. We believe that this, coupled with new edge-based tools and solutions we anticipate bringing to market, will assist in our ability to re-accelerate growth. Key elements of our plan to Expand the Core include tightening the alignment between our Sales and Marketing organizations, a radical shift to a “client success” model that pairs client relationship managers with client performance managers to ensure proactive client success and exploring ways to dynamically optimize how we price our services that gives us more flexibility – and a renewed ability to sell more broadly into our existing client base.

• **Extending our core:** Longer term, we believe we can drive meaningful improvements to profitability and growth by diversifying our capabilities, clients, and revenue mix. We need to enable digital builders to easily load content faster, personalize it more and protect it outside of a controlled environment. We believe we have an opportunity of extending the use of our network to new clients with new solutions that utilize non-peak traffic solutions. We recently announced the pending acquisition of Moov Corporation (doing business as Layer0). Layer0 is a sub-scale SaaS based application acceleration and developer support platform. We believe this platform coupled with our global XDN network will be a catalyst in our pursuit of positioning us as an Edge Solutions platform. Following the acquisition of Layer0;

- We will be launching a new web application acceleration solution shortly after the closing of the transaction.
- We believe that we have identified approximately \$3,000 of cost synergies.
- We believe that this acquisition meaningfully improves our product management and development capabilities.

Also, following the acquisition, Ajay Kapur, Layer0’s founder, will join us as our Chief Technology Officer.

We are committed to helping our clients deliver better digital experiences to their customers, create better returns for our shareholders, and provide our employees an environment in which they can grow, develop, and win.

The following table summarizes our revenue, costs, and expenses for the three and six months ended June 30, 2021 and 2020 (in thousands of dollars and as a percentage of total revenue):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Revenue	\$ 48,348	100.0 %	\$ 58,546	100.0 %	\$ 99,543	100.0 %	\$ 115,558	100.0 %
Cost of revenue	38,905	80.5 %	34,749	59.4 %	77,629	78.0 %	71,012	61.5 %
Gross profit	9,443	19.5 %	23,797	40.6 %	21,914	22.0 %	44,546	38.5 %
Operating expenses	19,035	39.4 %	25,011	42.7 %	48,447	48.7 %	50,746	43.9 %
Restructuring charges	2,155	4.5 %	—	— %	9,028	9.1 %	—	— %
Operating loss	(11,747)	(24.3)%	(1,214)	(2.1)%	(35,561)	(35.7)%	(6,200)	(5.4)%
Total other income (expense)	(1,703)	(3.5)%	(377)	(0.6)%	(3,159)	(3.2)%	(472)	(0.4)%
Loss before income taxes	(13,450)	(27.8)%	(1,591)	(2.7)%	(38,720)	(38.9)%	(6,672)	(5.8)%
Income tax expense	248	0.5 %	136	0.2 %	507	0.5 %	311	0.3 %
Net loss	\$ (13,698)	(28.3)%	\$ (1,727)	(2.9)%	\$ (39,227)	(39.4)%	\$ (6,983)	(6.0)%

#### Use of Non-GAAP Financial Measures

To evaluate our business, we consider and use non-generally accepted accounting principles (Non-GAAP) net income (loss), EBITDA and Adjusted EBITDA as supplemental measures of operating performance. These measures include the same adjustments that management takes into account when it reviews and assesses operating performance on a period-to-period basis. We consider Non-GAAP net income (loss) to be an important indicator of overall business performance. We define Non-GAAP net income (loss) to be U.S. GAAP net income (loss), adjusted to exclude share-based compensation, non-cash interest

expense and restructuring and transition related charges. We believe that EBITDA provides a useful metric to investors to compare us with other companies within our industry and across industries. We define EBITDA as U.S. GAAP net income (loss), adjusted to exclude depreciation and amortization, interest expense, interest and other (income) expense, and income tax expense. We define Adjusted EBITDA as EBITDA adjusted to exclude share-based compensation and restructuring and transition related charges. We use Adjusted EBITDA as a supplemental measure to review and assess operating performance. Our management uses these Non-GAAP financial measures because, collectively, they provide valuable information on the performance of our on-going operations, excluding non-cash charges, taxes and non-core activities (including interest payments related to financing activities). These measures also enable our management to compare the results of our on-going operations from period to period, and allow management to review the performance of our on-going operations against our peer companies and against other companies in our industry and adjacent industries. We believe these measures also provide similar insights to investors, and enable investors to review our results of operations “through the eyes of management.”

Furthermore, our management uses these Non-GAAP financial measures to assist them in making decisions regarding our strategic priorities and areas for future investment and focus.

In our July 29, 2021, earnings press release, as furnished on Form 8-K, we included Non-GAAP net income (loss), EBITDA and Adjusted EBITDA. The terms Non-GAAP net income (loss), EBITDA and Adjusted EBITDA are not defined under U.S. GAAP, and are not measures of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Our Non-GAAP net income (loss), EBITDA and Adjusted EBITDA have limitations as analytical tools, and when assessing our operating performance, Non-GAAP net income (loss), EBITDA and Adjusted EBITDA should not be considered in isolation, or as a substitute for net income (loss) or other consolidated income statement data prepared in accordance with U.S. GAAP. Some of these limitations include, but are not limited to:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- these measures do not reflect changes in, or cash requirements for, our working capital needs;
- Non-GAAP net income (loss) and Adjusted EBITDA do not reflect the cash requirements necessary for litigation costs, including provision for litigation and litigation expenses;
- these measures do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt that we may incur;
- these measures do not reflect income taxes or the cash requirements for any tax payments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will be replaced sometime in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- while share-based compensation is a component of operating expense, the impact on our financial statements compared to other companies can vary significantly due to such factors as the assumed life of the options and the assumed volatility of our common stock; and
- other companies may calculate Non-GAAP net income (loss), EBITDA and Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures.

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

#### **Reconciliation of Non-GAAP Financial Measures**

In accordance with the requirements of Item 10(e) of Regulation S-K, we are presenting the most directly comparable U.S. GAAP financial measures and reconciling the unaudited Non-GAAP financial metrics to the comparable U.S. GAAP measures.

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

	Three Months Ended			Six Months Ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
U.S. GAAP net loss	\$ (13,698)	\$ (25,529)	\$ (1,727)	\$ (39,227)	\$ (6,983)
Share-based compensation	3,341	2,644	5,251	5,985	10,315
Non-cash interest expense	201	199	—	400	—
Restructuring and transition related charges	2,155	11,700	—	13,855	—
Non-GAAP net (loss) income	<u>\$ (8,001)</u>	<u>\$ (10,986)</u>	<u>\$ 3,524</u>	<u>\$ (18,987)</u>	<u>\$ 3,332</u>

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

	Three Months Ended			Six Months Ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
U.S. GAAP net loss	\$ (13,698)	\$ (25,529)	\$ (1,727)	\$ (39,227)	\$ (6,983)
Depreciation and amortization	6,478	6,219	5,683	12,697	11,175
Interest expense	1,305	1,286	71	2,591	82
Interest and other (income) expense	398	169	306	568	390
Income tax expense	248	260	136	507	311
EBITDA	<u>\$ (5,269)</u>	<u>\$ (17,595)</u>	<u>\$ 4,469</u>	<u>\$ (22,864)</u>	<u>\$ 4,975</u>
Share-based compensation	3,341	2,644	5,251	5,985	10,315
Restructuring and transition related charges	2,155	11,700	—	13,855	—
Adjusted EBITDA	<u>\$ 227</u>	<u>\$ (3,251)</u>	<u>\$ 9,720</u>	<u>\$ (3,024)</u>	<u>\$ 15,290</u>

**Critical Accounting Policies and Estimates**

Please see Note 2 of Part I, Item 1 of this Quarterly Report on Form 10-Q for a summary of changes in significant accounting policies. In addition, our critical accounting policies and estimates are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. During the six months ended June 30, 2021, there have been no other significant changes in our critical accounting policies and estimates.

**Results of Operations**

**Revenue**

We derive revenue primarily from the sale of our digital content delivery, video delivery, cloud security, edge compute, and origin storage services. We also generate revenue through the sale of professional services and other infrastructure services, such as transit, rack space services, and hardware to help our clients build out edge solutions.

The following table reflects our revenue for the three and six months ended June 30, 2021, compared to the three and six months ended June 30, 2020:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
Revenue	\$ 48,348	\$ 58,546	\$ (10,198)	(17)%	\$ 99,543	\$ 115,558	\$ (16,015)	(14)%

Our revenue decreased during the three and six months ended June 30, 2021, versus the comparable 2020 periods, primarily due to a decrease in our delivery services revenue. The decrease in delivery services revenue was primarily due to lower traffic volumes with our largest client as a result of easing Covid-19 lockdown restrictions and a reduced amount of new

content released for consumption, as well as a decrease in our average selling price. We believe that we have improved our performance with many of our largest clients, and we are positioned to take advantage of volume growth as new content is released. Our active clients worldwide decreased to 533 as of June 30, 2021, compared to 560 as of June 30, 2020.

During the three months ended June 30, 2021 and 2020, sales to our top 20 clients accounted for approximately 78% and 79%, respectively, of our total revenue. For the six months ended June 30, 2021 and 2020, sales to our top 20 clients accounted for approximately 77% and 77%, respectively, of our total revenue. The clients that comprised our top 20 clients change from time to time, and our large clients may not continue to be as significant going forward as they have been in the past.

During the three and six months ended June 30, 2021 and 2020, we had two clients, Amazon and Sony, who each represented 10% or more of our total revenue.

Revenue by geography is based on the location of the client from which the revenue is earned. The following table sets forth revenue by geographic area (in thousands and as a percentage of total revenue):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Americas	\$ 29,677	61 %	\$ 36,343	62 %	\$ 58,367	59 %	\$ 71,058	62 %
EMEA	5,306	11 %	9,262	16 %	14,559	14 %	18,821	16 %
Asia Pacific	13,365	28 %	12,941	22 %	26,617	27 %	25,679	22 %
Total revenue	\$ 48,348	100 %	\$ 58,546	100 %	\$ 99,543	100 %	\$ 115,558	100 %

### Cost of Revenue

Cost of revenue consists primarily of fees paid to network providers for bandwidth and backbone, costs incurred for non-settlement free peering and connection to Internet service providers, and fees paid to data center operators for housing of our network equipment in third party network data centers, also known as co-location costs. Cost of revenue also includes 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. Other costs include professional fees and outside services, travel and travel-related expenses, and royalty expenses.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Bandwidth and co-location fees	\$ 24,180	50.0 %	\$ 20,948	35.8 %	\$ 47,923	48.1 %	\$ 41,490	35.9 %
Depreciation - network	5,929	12.3 %	5,360	9.2 %	11,608	11.7 %	10,510	9.1 %
Payroll and related employee costs	3,771	7.8 %	4,689	8.0 %	8,469	8.5 %	9,503	8.2 %
Share-based compensation	458	0.9 %	792	1.4 %	704	0.7 %	1,555	1.3 %
Other costs	4,567	9.4 %	2,960	5.1 %	8,925	9.0 %	7,954	6.9 %
Total cost of revenue	\$ 38,905	80.5 %	\$ 34,749	59.4 %	\$ 77,629	78.0 %	\$ 71,012	61.5 %

Our cost of revenue increased in both aggregate dollars and as a percentage of total revenue for the three and six months ended June 30, 2021, versus the comparable 2020 periods. The changes in cost of revenue were primarily a result of the following:

- Bandwidth and co-location fees increased in aggregate dollars due to higher transit fees and increased peering costs, as well as continued expansion in existing, and new geographies.
- Depreciation expense increased due to increased capital expenditures over the last two years.
- Payroll and related employee costs were lower as a result of decreased network operations and professional services personnel and lower variable compensation.
- Share-based compensation decreased primarily as a result of lower variable compensation paid out in restricted stock units, the timing of our annual grant to employees and the impact of the reduction in workforce in March

2021 versus the comparable 2020 period.

- Other costs increased primarily due to costs associated with the sale of equipment, an increase in international re-seller costs and increased fees and licenses. These increases were partially off-set by decreased contract royalties, professional fees, and travel and entertainment expense.

### General and Administrative

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Payroll and related employee costs	\$ 2,447	5.1 %	\$ 3,172	5.4 %	\$ 6,373	6.4 %	\$ 6,387	5.5 %
Professional fees and outside services	1,338	2.8 %	1,111	1.9 %	2,565	2.6 %	1,868	1.6 %
Share-based compensation	1,874	3.9 %	2,257	3.9 %	7,902	7.9 %	4,498	3.9 %
Other costs	1,856	3.8 %	1,647	2.8 %	3,572	3.6 %	3,316	2.9 %
<b>Total general and administrative</b>	<b>\$ 7,515</b>	<b>15.5 %</b>	<b>\$ 8,187</b>	<b>14.0 %</b>	<b>\$ 20,412</b>	<b>20.5 %</b>	<b>\$ 16,069</b>	<b>13.9 %</b>

Our general and administrative expense decreased in aggregate dollars and increased as a percentage of total revenue for the three months ended June 30, 2021, versus the comparable 2020 period. For the six months ended June 30, 2021, our general and administrative expense increased in aggregate dollars and increased as a percentage of total revenue versus the comparable 2020 period.

The decrease in aggregate dollars for the three months ended June 30, 2021, versus the comparable 2020 period was primarily driven by decreased payroll and related employee costs (lower variable compensation) and decreased share-based compensation. These decreases were off-set by increased professional fees (legal fees associated with corporate and governance matters and other outside services) and increased other costs, which consisted primarily of bad debt expense.

The increase in aggregate dollars for the six months ended June 30, 2021, versus the comparable 2020 periods was primarily driven by increased share based compensation, and increased professional fees. The increase in share-based compensation was the result of a transition agreement entered into between us and our former CEO who retired in January 2021 which modified existing share-based awards and resulted in additional share-based compensation. Professional fees increased due to higher legal fees associated with corporate and governance matters and other outside services. The increase in other costs was the result of increased bad debt expense, partially off-set by decreased travel and entertainment expenses, and decreased fees and licenses.

We expect our general and administrative expenses for 2021 to increase in both aggregate dollars and as a percentage of total revenue due primarily to transition related expenses and the acquisition of Layer0.

### Sales and Marketing

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Payroll and related employee costs	\$ 4,211	8.7 %	\$ 7,823	13.4 %	\$ 11,710	11.8 %	\$ 16,018	13.9 %
Share-based compensation	395	0.8 %	1,322	2.3 %	958	1.0 %	2,550	2.2 %
Marketing programs	276	0.6 %	602	1.0 %	709	0.7 %	1,071	0.9 %
Other costs	902	1.9 %	1,182	2.0 %	2,254	2.3 %	3,184	2.8 %
<b>Total sales and marketing</b>	<b>\$ 5,784</b>	<b>12.0 %</b>	<b>\$ 10,929</b>	<b>18.7 %</b>	<b>\$ 15,631</b>	<b>15.7 %</b>	<b>\$ 22,823</b>	<b>19.8 %</b>

Our sales and marketing expense decreased in both aggregate dollars and as a percentage of total revenue for the three and six months ended June 30, 2021, versus the comparable 2020 periods.

The decrease in aggregate dollars for the three and six months ended June 30, 2021, versus the comparable 2020 periods was primarily driven by decreased payroll and related employee costs, decreased share-based compensation and

decreased other costs. The decrease in payroll and related employee costs was due to the impact of the reduction in force and lower variable compensation. The decrease in share-based compensation was primarily due to lower equity variable compensation in the first half of 2021 versus the comparable 2020 period and the impact of the March 2021 reduction in workforce. The decrease in other costs was due to decreased other employee costs, decreased travel and entertainment, and lower facility costs, off-set by an increase in consulting and casual labor.

We expect our sales and marketing expenses for 2021 to decrease as a result of the March 2021 reduction in workforce.

### **Research and Development**

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
Payroll and related employee costs	\$ 3,034	6.3 %	\$ 3,549	6.1 %	\$ 7,208	7.2 %	\$ 7,144	6.2 %
Share-based compensation	614	1.3 %	880	1.5 %	985	1.0 %	1,712	1.5 %
Other costs	1,539	3.2 %	1,143	2.0 %	3,122	3.1 %	2,333	2.0 %
Total research and development	<u>\$ 5,187</u>	10.7 %	<u>\$ 5,572</u>	9.5 %	<u>\$ 11,315</u>	11.4 %	<u>\$ 11,189</u>	9.7 %

Our research and development expense decreased in aggregate dollars and increased as a percentage of total revenue for the three months ended June 30, 2021, versus the comparable 2020 period. For the six months ended June 30, 2021, our research and development expense increased in aggregate dollars and increased as a percentage of total revenue versus the comparable 2020 period.

The decrease in aggregate dollars during the three months ended June 30, 2021, was primarily due to a decrease in payroll and related employee costs (reduced salaries and variable compensation due to lower headcount) and decreased share-based compensation. These decreases were off-set by an increase in other costs, which was primarily due to increased fees and licenses and other employee costs.

The increase in aggregate dollars during the six months ended June 30, 2021, was primarily due to an increase in other costs. The increase in other costs was primarily due to increased fees and licenses, and other employee costs, off-set by decreased supplies, lower travel and entertainment, and reduced casual labor expense. The increase in other costs was off-set by a decrease in share-based compensation primarily due to lower equity variable compensation in the first half of 2021 versus the comparable 2020 period and the impact of the March 2021 reduction in workforce.

We expect our research and development expenses for 2021 to increase slightly in the second half of 2021 due to the acquisition of Layer0.

### **Depreciation and Amortization (Operating Expenses)**

Depreciation and amortization expense was \$549, or 1.1% of revenue, for the three months ended June 30, 2021, versus \$323, or 0.6% of revenue, for the comparable 2020 period. For the six months ended June 30, 2021, depreciation and amortization expense was \$1,089, or 1.0% of revenue versus \$665, or 0.6% of revenue, for the comparable 2020 period. Depreciation expense consists of depreciation on equipment and furnishings used by general administrative, sales and marketing, and research and development personnel. Amortization expense consists of amortization of acquired intangible assets.

### **Restructuring Charges**

The restructuring charges for the three and six month periods ended June 30, 2021, were the result of management's commitment to an action to restructure certain parts of the company to focus on improved growth and profitability. As a result, certain headcount reductions were made, as well as incurring certain charges for share-based compensation and professional fees. Please refer to Note 9 "Restructuring Charge" of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. We do not expect any additional restructure charges related to this action plan.

### **Interest Expense**

Interest expense was \$1,305 for the three months ended June 30, 2021, versus \$71 for the comparable 2020 period. For

the six months ended June 30, 2021, interest expense was \$2,591 versus \$82 for the comparable 2020 period. Interest expense includes expense associated with the issuance of our senior convertible notes in July 2020 and fees associated with the Loan and Security Agreement (as amended, the Credit Agreement) with Silicon Valley Bank (SVB) originally entered into in November 2015.

### ***Interest Income***

Interest income was \$42 for the three months ended June 30, 2021, versus \$6 for the comparable 2020 period. For the six months ended June 30, 2021, interest income was \$87 versus \$31 for the comparable 2020 period. Interest income includes interest earned on invested cash balances and marketable securities.

### ***Other Income (Expense)***

Other expense was \$440 for the three months ended June 30, 2021, versus other expense of \$312 for the comparable 2020 period. For the six months ended June 30, 2021, other expense was \$655 versus \$421 for the comparable 2020 period. For the three and six months ended June 30, 2021, other income/expense consisted primarily of foreign currency transaction gains and losses, legal settlement, and the gain/loss on sale of fixed assets. For the three and six months ended June 30, 2020, other income/expense consisted primarily of foreign currency transaction gains and losses, and the gain/loss on sale of fixed assets.

### ***Income Tax Expense***

Based on an estimated annual effective tax rate and discrete items, the estimated income tax expense for the three months ended June 30, 2021 was \$248, versus \$136 for the comparable 2020 period. For the six months ended June 30, 2021, income tax expense was \$507 versus \$311 for the comparable 2020 period. Income tax expense on our income (loss) before income 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 quarter. The effective income tax rate is based primarily upon forecasted income or loss for the year, the composition of the income or loss in different countries, and adjustments, if any, for the potential tax consequences, benefits or resolutions for tax audits.

### ***Liquidity and Capital Resources***

As of June 30, 2021, our cash, cash equivalents, and marketable securities classified as current totaled \$119,536. Included in this amount is approximately \$11,425 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.

Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic and other risks detailed in Part II, Item 1A titled "Risk Factors". However, 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 six months ended June 30, 2021 and 2020, are discussed in the following paragraphs.

### ***Operating Activities***

Net cash provided by operating activities was \$2,445 for the six months ended June 30, 2021, versus net cash provided by operating activities of \$11,916 for the comparable 2020 period, a decrease of \$9,471. Changes in operating assets and liabilities of \$13,728 during the six months ended June 30, 2021, versus \$(2,779) in the comparable 2020 period, were primarily due to:

- accounts receivable decreased \$5,962 during the six months ended June 30, 2021, as a result of timing of collections as compared to a \$11,083 increase in the comparable 2020 period;
- prepaid expenses and other current assets decreased \$439 during the six months ended June 30, 2021, due to a decrease in, prepaid bandwidth and backbone expenses and vendor deposits and other. These decreases were offset by an increase in VAT receivable and prepaid expenses and insurance, compared to an increase of \$447 in the comparable 2020 period;



- accounts payable and other current liabilities increased \$6,732 during the six months ended June 30, 2021, versus an increase of \$6,937 for the comparable 2020 period due to our restructuring charge accrual and accrued interest related to our convertible senior notes, off-set by the timing of variable compensation, and vendor payments.

Cash provided by operating activities may not be sufficient to cover new purchases of property and equipment during the remainder of 2021 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 \$9,203 for the six months ended June 30, 2021, versus net cash used in investing activities of \$14,948 for the comparable 2020 period. For the six months ended June 30, 2021, net cash used in investing activities was 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, offset by cash received from the sale and maturities of marketable securities. For the six months ended March 31, 2020, net cash used in investing activities related to cash used for capital expenditures, primarily for servers and network equipment.

We expect to have ongoing capital expenditure requirements as we continue to invest in and expand our network. During the six months ended June 30, 2021, we made capital expenditures of \$9,614, which represented approximately 10% of our total revenue. We currently expect capital expenditures in 2021 to be approximately \$15 to \$20 million, as we continue to increase the capacity of our global network and re-fresh our systems.

### ***Financing Activities***

Net cash provided by financing activities was \$4,332 for the six months ended June 30, 2021, versus net cash provided by financing activities of \$3,147 for the comparable 2020 period. Net cash provided by financing activities in the six months ended June 30, 2021, primarily relates to cash received from the exercise of stock options and our employee stock purchase plan of \$5,460, offset by the payments of employee tax withholdings related to the net settlement of vested restricted stock units of \$1,098.

Net cash provided by financing activities in the six months ended June 30, 2020, primarily relates to cash received from the exercise of stock options and our employee stock purchase plan of \$6,092, offset by the payments of employee tax withholdings related to the net settlement of vested restricted stock units of \$2,945.

### ***Convertible Senior Notes and Capped Call Transactions***

In July 2020, we issued \$125,000 aggregate principal amount of 3.50% Convertible Senior Notes due 2025 (the Notes), with an initial conversion rate of 117.2367 shares of our common stock (equal to an initial conversion rate of \$8.53 per share), subject to adjustment in some events. The Notes will be senior, unsecured obligations of ours and will be equal in right of payment with our senior, unsecured indebtedness; senior in right of payment to our indebtedness that is expressly subordinated to the Notes; effectively subordinated to our senior, secured indebtedness, including future borrowings, if any, under our \$20,000 credit facility with SVB, to the extent of the value of the collateral securing that indebtedness; and structurally subordinated to all indebtedness and other liabilities, including trade payables, and (to the extent we are not a holder thereof) preferred equity, if any, of our subsidiaries. The Notes are governed by an indenture (the Indenture) between us, as the issuer, and U.S. Bank, National Association, as trustee. The Indenture does not contain any financial covenants.

The Notes mature on August 1, 2025, unless earlier converted, redeemed or repurchased in accordance with their term prior to the maturity date. Interest is payable semiannually in arrears on February 1 and August 1 of each year, beginning on February 1, 2021. We may not redeem the Notes prior to August 4, 2023.

On or after August 4, 2023, and on or before the 40th scheduled trading day immediately before the maturity date, we may redeem for cash all or any portion of the Notes if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption. The redemption price will equal 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Notes.

As of June 30, 2021, the conditions allowing holders of the Notes to convert had not been met and therefore the Notes are not yet convertible.



In connection with the offering of the Notes, we also entered into privately negotiated capped call transactions (collectively, the Capped Calls). The Capped Calls have an initial strike price of approximately \$8.53 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have an initial cap price of \$13.38 per share, subject to certain adjustments. The capped call transactions cover, subject to anti-dilution adjustments, approximately 14.7 million shares of our common stock and are expected to offset the potential economic dilution to our common stock up to the initial cap price.

### ***Line of Credit***

In November 2015 we entered into the Credit Agreement with SVB. Since the inception, there have been seven amendments, with the most recent amendment being in December 2020. The maximum principal commitment amount remains at \$20,000. Our borrowing capacity is the lesser of the commitment amount or 80% of eligible accounts receivable. All outstanding borrowings owed under the Credit Agreement become due and payable no later than the final maturity date of November 2, 2022. As long as our Adjusted Quick Ratio remains above 1.5 to 1, we no longer are required to submit quarterly borrowing base reports.

As of June 30, 2021, 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 June 30, 2021, and December 31, 2020, we had no outstanding borrowings, and we had availability under the Credit Agreement of \$18,000 and \$20,000, 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.

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 June 30, 2021, we were in compliance with our covenant under the Credit Agreement.

For a more detailed discussion regarding our Credit Agreement, please refer to Note 8 "Debt - Line of Credit" of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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.

### ***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. During the six months ended June 30, 2021 and 2020, we did not repurchase any shares under the repurchase program. As of June 30, 2021, there remained \$21,200 under this share repurchase program.

### ***Contractual Obligations, Contingent Liabilities, and Commercial Commitments***

In the normal course of business, we make certain long-term commitments for right-of-use (ROU) assets, primarily office facilities, and purchase commitments for bandwidth and computer rack space. These commitments expire on various dates ranging from 2021 to 2030. We expect that the growth of our business will require us to continue to add to and increase our ROU assets and long-term commitments in 2021 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 June 30, 2021, over the next five years and thereafter:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Purchase Commitments					
Bandwidth commitments	\$ 68,832	\$ 37,746	\$ 21,052	\$ 9,519	\$ 515
Rack space commitments	14,511	10,303	4,208	—	—
Total purchase commitments	83,343	48,049	25,260	9,519	515
Right-of-use assets and other operating leases	15,226	2,713	3,526	2,887	6,100
Total commitments	\$ 98,569	\$ 50,762	\$ 28,786	\$ 12,406	\$ 6,615

### Off Balance Sheet Arrangements

As of June 30, 2021, we are not involved in any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

### Item 3. 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 Credit Agreement, as amended, 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 June 30, 2021, 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 clients. To the extent that the U.S. dollar weakens, similar foreign currency denominated transactions in the future will result in higher revenues and higher cost of revenues and operating expenses, with expenses having the greater impact on our financial results. Similarly, our revenues and expenses will decrease if the U.S. dollar strengthens against these foreign currencies. Although we will continue to monitor our exposure to currency fluctuations, and, where appropriate, may use financial hedging techniques in the future to minimize the effect of these fluctuations, we are not currently engaged in any financial hedging transactions. Assuming a 10% weakening of the U.S. dollar relative to our foreign currency denominated revenues and expenses, our net loss for the year ended December 31, 2020, would have been higher by approximately \$3,903, and our net loss for the six months ended June 30, 2021, would have been higher by approximately \$2,003. 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 clients typically account for a significant percentage of our revenue. During the three months ended June 30, 2021 and 2020, sales to our top 20 clients accounted for approximately 78% and 79%, respectively, of our total revenue. During the three months ended June 30, 2021 and 2020, we had two clients, Amazon and Sony, who each represented more than 10% of our total revenue.

For the six months ended June 30, 2021 and 2020, sales to our top 20 clients accounted for approximately 77% and 77%, respectively, of our total revenue. During the six months ended June 30, 2021 and 2020, we had two clients, Amazon and Sony, who each represented more than 10% of our total revenue.

In 2021, we anticipate that our top 20 client concentration levels will remain consistent with 2020. In the past, the clients that comprised our top 20 clients have continually changed, and our large clients may not continue to be as significant going forward as they have been in the past.

### **Item 4. Controls and Procedures**

#### ***Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures***

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in SEC Rules 13a-15(e) and 15d-15(e). We maintain disclosure controls and procedures, as such term is defined in SEC Rules 13a-15(e) and 15d-15(e), 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 for timely decisions regarding required disclosure. 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, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2021. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

#### ***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal control over financial reporting, as defined in SEC Rules 13a-15(f) and 15d-15(f), during the fiscal quarter ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

For a description of our material pending legal proceedings, please refer to Note 10 "Contingencies - Legal Matters" of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### Item 1A. Risk Factors

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item II, and our consolidated financial statements and related notes, before making a decision to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment. All information is presented in thousands, except per share amounts, client count, head count and where specifically noted.*

#### Risks Related to Industry Dynamics and Competition

**We currently face competition from established competitors and may face competition from others in the future.**

We compete in markets that are intensely competitive, where differentiation is primarily measured by performance and cost where the difference between providers can be as small as a fraction of a percent or penny. In these markets, vendors offer a wide range of alternate solutions, and in a multi-CDN environment, our clients can route traffic to us, or away from us, within seconds, and at minimal costs. This naturally results in on-going price compression, and increased competition on features, functionality, integration and other factors. Several of our current competitors, as well as a number of our potential competitors, have longer operating histories, greater name recognition, broader client relationships and industry alliances, and substantially greater financial, technical and marketing resources than we do. As a consequence of the hyper competitive dynamics in our markets, we have experienced price compression, and an increased requirement for product advancement and innovation in order to remain competitive, which in turn have adversely affected and may continue to adversely affect our revenue, gross margin and operating results.

Our primary competitors for our services include, among others, Akamai, Lumen Technologies, Amazon, Fastly, StackPath, and Verizon Digital Media Services. In addition, a number of companies have recently entered or are currently attempting to enter our market, either directly or indirectly. These new entrants include companies that have built internal content delivery networks to solely deliver their own traffic, rather than relying solely, largely or in part on content delivery specialists, such as us. Some of these new entrants may become significant competitors in the future. Given the relative ease by which clients typically can switch among service providers in a multi-CDN environment, differentiated offerings or pricing by competitors could lead to a rapid loss of clients. Some of our current or potential competitors may bundle their offerings with other services, software or hardware in a manner that may discourage content providers from purchasing the services that we offer. In addition, we face different market characteristics and competition with local content delivery service providers as we expand internationally. Many of these international competitors are very well positioned within their local markets. Increased competition could result in price reductions and revenue shortfalls, loss of clients and loss of market share, which could harm our business, financial condition and results of operations.

**If we are unable to develop, improve, and expand our new services, to extend enhancements to the existing portfolio of services that we offer, or if we fail to predict and respond to emerging technological trends and clients' changing needs, our operating results and market share may suffer.**

The market for our services is characterized by rapidly changing technology, evolving industry standards, and new product and service introductions. Our operating results depend on our ability to help our clients deliver better digital experiences to their customers, understand user preferences, and predict industry changes. Our operating results also depend on our ability to improve and expand our solutions and services on a timely basis, and develop and extend new services into existing and emerging markets. This process is complex and uncertain. We must commit significant resources to improving and expanding our existing services before knowing whether our investments will result in services the market will accept. Furthermore, we may not successfully execute our initiatives because of errors in planning or timing, technical hurdles that we fail to overcome in a timely fashion, misunderstandings about market demand or a lack of appropriate resources. As prices for our core services fall, we will increasingly rely on new capabilities, product offerings, and other service offerings to maintain or increase our gross margins. Failures in execution, delays in improving and expanding our services, failures to extend our

service offerings, or a market that does not accept the services and capabilities we introduce could result in competitors providing more differentiation than we do, which could lead to loss of market share, revenue, and earnings.

## **Risks Relating to Our Operations**

**Any unplanned interruption or degradation in the functioning or availability of our network or services, or attacks on or disruptions to our internal information technology systems, could lead to increased costs, a significant decline in our revenue, and harm to our reputation.**

Our business is dependent on providing our clients with an exceptional digital experience that is fast, efficient, safe, and reliable every minute of every day. Our services could be disrupted by numerous events, including natural disasters, failure or refusal of our third-party network providers to provide the necessary capacity or access, failure of our software or global network infrastructure and power losses. In addition, we deploy our servers in third-party co-location facilities, and these third-party co-location providers could experience system outages or other disruptions that could constrain our ability to deliver our services.

We may also experience business disruptions caused by security incidents, such as software viruses and malware, unauthorized hacking, DDoS attacks, security system control failures in our own systems or from vendors we or our clients use, email phishing, software vulnerabilities, social engineering, or other cyberattacks. These types of security incidents have been increasing in sophistication and frequency and sometimes result in the unauthorized access to or use of, and/or loss of intellectual property, client or employee data, trade secrets, or other confidential information. The economic costs to us to eliminate or alleviate cyber or other security problems, viruses, worms, malicious software programs, and other security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service, and loss of existing or potential clients.

Any material interruption or degradation in the functioning of our services for any reason could reduce our revenue and harm our reputation with existing and potential clients, and thus adversely impact our business and results of operations. This is true even if such interruption or degradation was for a relatively short period of time, but occurred during the streaming of a significant live event, launch by a client of a new streaming service, or the launch of a new video-on-demand offering.

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

Our once innovative and highly valued service has become commoditized in its current form and we are often in a multi-CDN supplier environment, where our clients can route traffic to us, or away from us, within seconds. This naturally results in on-going price compression. Simultaneously, we invest significant amounts in purchasing capital equipment as part of our effort to increase the capacity of our global network. Our investments in our infrastructure are based upon our assumptions regarding future demand, anticipated network utilization, as well as prices that we will be able to charge for our services. These assumptions may prove to be wrong. If the price that we are able to charge clients to deliver their content falls to a greater extent than we anticipate, if we over-estimate future demand for our services, are unable to achieve an acceptable rate of network utilization, or if our costs to deliver our services do not fall commensurate with any future price declines, we may not be able to achieve acceptable rates of return on our infrastructure investments, and our gross profit and results of operations may suffer dramatically.

As we further expand our global network and services, and as we refresh our network equipment, we are dependent on significant future growth in demand for our services to justify additional capital expenditures. If we fail to generate significant additional demand for our services, our results of operations will suffer, and we may fail to achieve planned or expected financial results. There are numerous factors that could, alone or in combination with other factors, impede our ability to increase revenue, moderate expenses, or maintain gross margins, including:

- continued price declines arising from significant competition;
- increasing settlement fees for certain peering relationships;
- failure to increase sales of our services;
- increases in electricity, bandwidth and rack space costs or other operating expenses, and failure to achieve decreases in these costs and expenses relative to decreases in the prices we can charge for our services and products;
- failure of our current and planned services and software to operate as expected;
- loss of any significant or existing clients at a rate greater than our increase in sales to new or existing clients;
- failure to increase sales of our services to current clients as a result of their ability to reduce their monthly usage of our services to their minimum monthly contractual commitment;
- failure of a significant number of clients to pay our fees on a timely basis or at all or to continue to purchase our services in accordance with their contractual commitments; and
- inability to attract high quality clients to purchase and implement our current and planned services.

A significant portion of our revenue is derived collectively from our video delivery services, cloud security, edge compute, and origin storage services. These services tend to have higher gross margins than our content delivery services. We may not be able to achieve the growth rates in revenue from such services that we or our investors expect or have experienced in the past. If we are unable to achieve the growth rates in revenue that we expect for these service offerings, our revenue and operating results could be significantly and negatively affected.

**Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.**

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations. As of December 31, 2020, we had federal and state net operating loss carryforwards, or NOLs, of \$229,900 and \$154,500, respectively, due to prior period losses. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” can be subject to limitations on its ability to utilize its NOLs to offset future taxable income. Our existing NOLs may be subject to limitations arising from past ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. In addition, under the Tax Cuts and Jobs Act (the Tax Act), the amount of post 2017 NOLs that we are permitted to deduct in any taxable year is limited to 80% of our taxable income in such year, where taxable income is determined without regard to the NOL deduction itself. In addition, the Tax Act generally eliminates the ability to carry back any NOL to prior taxable years, while allowing post 2017 unused NOLs to be carried forward indefinitely. There is a risk that due to changes under the Tax Act, regulatory changes, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

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

Our services and solutions are highly complex and are designed to be deployed in and across numerous large and complex networks. Our global network infrastructure has to perform well and be reliable for us to be successful. We will need to continue to invest in infrastructure and client success to account for the continued growth in traffic (and the increased complexity of that traffic) delivered via networks such as ours. We have spent and expect to continue to spend substantial amounts on the purchase and lease of equipment and data centers and the upgrade of our technology and network infrastructure to handle increased traffic over our network, implement changes to our network architecture and integrate existing solutions and to roll out new solutions and services. For example, during 2020, we increased our network capacity by more than 41% to over 90 terabits per second through software enhancements and hardware additions. This expansion is expensive and complex and could result in inefficiencies, operational failures or defects in our network and related software. If we do not implement such changes or expand successfully, or if we experience inefficiencies and operational failures, the quality of our solutions and services and user experience could decline. Cost increases or the failure to accommodate increased traffic or these evolving business demands without disruption could harm our operating results and financial condition. Also, from time to time, we have needed to correct errors and defects in our software or in other aspects of our network. In the future, there may be additional errors and defects that may harm our ability to deliver our services, including errors and defects originating with third party networks or software on which we rely. These occurrences could damage our reputation and lead to the loss of current and potential clients, which would harm our operating results and financial condition.

**Rapid increase in the use of mobile and other devices to access the Internet present significant development and deployment challenges.**

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

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

We enter into arrangements for private line capacity for our backbone from third party providers. Our contracts for private line capacity generally have terms of three to four years. The communications capacity may become unavailable for a variety of reasons, such as physical interruption, technical difficulties, contractual disputes, or the financial health of our third

party providers. Also, industry consolidation among communications providers could result in fewer viable market alternatives, which could have an impact on our costs of providing services. Alternative providers are currently available; however, it could be time consuming and expensive to promptly identify and obtain alternative third party connectivity. Additionally, as we grow, we anticipate requiring greater private line capacity than we currently have in place. If we are unable to obtain such capacity from third party providers on terms commercially acceptable to us or at all, our business and financial results would suffer. Similarly, if we are unable to timely deploy enough network capacity to meet the needs of our client base or effectively manage the demand for our services, our reputation and relationships with our clients would be harmed, which, in turn, could harm our business, financial condition and results of operations.

**We face risks associated with international operations that could harm our business.**

We have operations in numerous foreign countries and may continue to expand our sales and support organizations internationally. As part of our business strategy, we intend to expand our international network infrastructure. Expansion could require us to make significant expenditures, including the hiring of local employees or resources, in advance of generating any revenue. As a consequence, we may fail to achieve profitable operations that will compensate our investment in international locations. We are subject to a number of risks associated with international business activities that may increase our costs, lengthen our sales cycle and require significant management attention. These risks include, but are not limited to:

- increased expenses associated with sales and marketing, deploying services and maintaining our infrastructure in foreign countries;
- competition from local service providers, many of which are very well positioned within their local markets;
- challenges caused by distance, language, and cultural differences;
- unexpected changes in regulatory requirements preventing or limiting us from operating our global network or resulting in unanticipated costs and delays;
- interpretations of laws or regulations that would subject us to regulatory supervision or, in the alternative, require us to exit a country, which could have a negative impact on the quality of our services or our results of operations;
- legal systems that may not adequately protect contract and intellectual property rights, policies, and taxation, the physical infrastructure of the country;
- potential political turmoil;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- corporate and personal liability for violations of local laws and regulations;
- currency exchange rate fluctuations and repatriation of funds;
- potentially adverse tax consequences;
- credit risk and higher levels of payment fraud; and
- foreign exchange controls that might prevent us from repatriating cash earned outside the United States.

There can be no assurance that these international risks will not materially adversely affect our business. Should there be significant productivity losses, or if we become unable to conduct operations in international locations in the future, and our contingency plans are unsuccessful in addressing the related risks, our business could be adversely affected.

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

Our services depend on our ability to access certain end-user access networks in order to complete the delivery of rich media and other online content to end-users. Some operators of these networks may take measures that could degrade, disrupt or increase the cost of our or our clients' access to certain of these end-user access networks. Such measures may include restricting or prohibiting the use of their networks to support or facilitate our services, or charging increased fees to us, our clients or end-users in connection with our services. In 2015, the U.S. Federal Communications Commission (FCC) released network neutrality and open Internet rules that reclassified broadband Internet access services as a telecommunications service subject to some elements of common carrier regulation. Among other things, the FCC order prohibited blocking or discriminating against lawful services and applications and prohibited "paid prioritization," or providing faster speeds or other benefits in return for compensation. In 2017, the FCC overturned these rules. As a result, we or our clients could experience increased cost or slower data on these third-party networks. If we or our clients experience increased cost in delivering content to end users, or otherwise, or if end users perceive a degradation of quality, our business and that of our clients may be significantly harmed. This or other types of interference could result in a loss of existing clients, increased costs and impairment of our ability to attract new clients, thereby harming our revenue and growth.

In addition, the performance of our infrastructure depends in part on the direct connection of our network to a large number of end-user access networks, known as peering, which we achieve through mutually beneficial cooperation with these networks. In some instances, network operators charge us for the peering connections. If, in the future, a significant percentage



of these network operators elected to no longer peer with our network or peer with our network on less favorable economic terms, then the performance of our infrastructure could be diminished, our costs could increase and our business could suffer.

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

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

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

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

The growth of our business depends on our ability to continue to develop effective business support systems. This is a complicated undertaking requiring significant resources and expertise. Business support systems are needed for implementing client orders for services, delivering these services, and timely and accurate billing for these services. The failure to continue to develop effective business support systems could harm our ability to implement our business plans and meet our financial goals and objectives.

#### **Risks Relating to our Clients and Demand for our Services**

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

A relatively small number of clients typically account for a significant percentage of our revenue. For the six months ended June 30, 2021, sales to our top 20 clients accounted for approximately 77% of our total revenue and we had two clients, Amazon and Sony, who each represented more than 10% of our total revenue.

In the past, the clients that comprised our top 20 clients have continually changed, and we also have experienced significant fluctuations in our individual clients' usage of, or decreased usage of, our services. As a consequence, we may not be able to adjust our expenses in the short term to address the unanticipated loss of a large client during any particular period. As such, we may experience significant, unanticipated fluctuations in our operating results that may cause us to not meet our expectations or those of stock market analysts, which could cause our stock price to decline.

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

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

If competitors introduce new products or services that compete with or surpass the quality or the price or performance of our services, we may be unable to renew our agreements with existing clients or attract new clients at the prices and levels that allow us to generate attractive rates of return on our investment. We may not anticipate such developments and may be unable to adequately compete with these potential solutions. In addition, our clients' business models may change in ways that we do not anticipate, and these changes could reduce or eliminate our clients' needs for our services. If this occurred, we could lose clients or potential clients, and our business and financial results would suffer.

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



**Many of our significant current and potential clients are pursuing emerging or unproven business models, which, if unsuccessful, or ineffective at monetizing delivery of their content, could lead to a substantial decline in demand for our content delivery and other services.**

Many of our clients' business models that center on the delivery of rich media and other content to users remain unproven. Some of our clients will not be successful in selling advertising, subscriptions, or otherwise monetizing the content we deliver on their behalf, and consequently, may not be successful in creating a profitable business model. This will result in some of our clients discontinuing their business operations and discontinuing use of our services and solutions. Further, any deterioration and related uncertainty in the global financial markets and economy, such as that caused by the COVID-19 pandemic, could result in reductions in available capital and liquidity from banks and other providers of credit, fluctuations in equity and currency values worldwide, and concerns that portions of the worldwide economy may be in a prolonged recessionary period. In addition, as the COVID-19 pandemic adversely affects the global financial markets and economy, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section. Any of this could materially adversely impact our clients' access to capital or willingness to spend capital on our services or, in some cases, ultimately cause the client to exit their business. This uncertainty may also impact our clients' levels of cash liquidity, which could affect their ability or willingness to timely pay for services that they will order or have already ordered from us. From time to time we discontinue service to clients for non-payment of services. We expect clients may discontinue operations or not be willing or able to pay for services that they have ordered from us.

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

If our existing and prospective clients do not perceive our services to be of sufficiently high value and quality, we may not be able to retain or expand business with our current clients or attract new clients. We sell our services pursuant to service agreements that generally include some form of financial minimum commitment. Our clients have no obligation to renew their contracts for our services after the expiration of their initial commitment, and these service agreements may not be renewed at the same or higher level of service, if at all. Moreover, under some circumstances, some of our clients have the right to cancel their service agreements prior to the expiration of the terms of their agreements. Aside from minimum financial commitments, clients are not obligated to use our services for any particular type or amount of traffic. For those clients who utilize a multi-CDN strategy, they can route traffic to us, or away from us, within seconds. These facts, in addition to the hyper competitive landscape in our market, means that we cannot accurately predict future client renewal rates or usage rates. Our clients' usage or renewal rates may decline or fluctuate as a result of a number of factors, including:

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

If our clients do not renew their service agreements with us, or if they renew on less favorable terms, our revenue may decline and our business may suffer. Similarly, our client agreements often provide for minimum commitments that are often significantly below our clients' historical usage levels. Consequently, even if we have agreements with our clients to use our services, these clients could significantly curtail their usage without incurring any penalties under our agreements. In this event, our revenue would be lower than expected and our operating results could suffer. It also is an important component of our growth strategy to market our services and solutions to particular industries or market segments. As an organization, we may not have significant experience in selling our services into certain of these markets. Our ability to successfully sell our services into these markets to a meaningful extent remains unproven. If we are unsuccessful in such efforts, our business, financial condition and results of operations could suffer.

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

While we offer our clients a number of services and solutions, we generate the majority of our revenue from charging our clients for the content delivered on their behalf through our global network. We are subject to an elevated risk of reduced demand for these services. Furthermore, if the market for delivery of rich media content in particular does not continue to grow as we expect or grows more slowly, then we may fail to achieve a return on the significant investment we are making to prepare for this growth. Our success, therefore, depends on the continued and increasing reliance on the Internet for delivery of media content and our ability to cost-effectively deliver these services. Many different factors may have a general tendency to limit or

reduce the number of users relying on the Internet for media content, the amount of content consumed by our clients' users, or the number of providers making this content available online, including, among others:

- a general decline in Internet usage;
- third party restrictions on online content, including copyright, digital rights management, and geographic restrictions;
- system impairments or outages, including those caused by hacking or cyberattacks; and
- a significant increase in the quality or fidelity of off-line media content beyond that available online to the point where users prefer the off-line experience.

The influence of any of these or other factors may cause our current or potential clients to reduce their spending on content delivery services, which would seriously harm our operating results and financial condition.

**If our ability to deliver media files in popular proprietary content formats was restricted or became cost-prohibitive, demand for our content delivery services could decline, we could lose clients and our financial results could suffer.**

Our business depends on our ability to deliver media content in all major formats. If our legal right or technical ability to store and deliver content in one or more popular proprietary content formats was limited, our ability to serve our clients in these formats would be impaired and the demand for our services would decline by clients using these formats. Owners of proprietary content formats may be able to block, restrict, or impose fees or other costs on our use of such formats, which could lead to additional expenses for us and for our clients, or which could prevent our delivery of this type of content altogether. Such interference could result in a loss of clients, increased costs, and impairment of our ability to attract new clients, any of which would harm our revenue, operating results, and growth.

### **Risks Relating to Human Capital Management**

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

Increasing our client base and achieving broader market acceptance of our services will depend to a significant extent on our ability to enhance our sales and marketing operations. We have a widely deployed field sales force. Our sales personnel are closer to our current and potential clients. Nevertheless, adjustments that we make to improve productivity and efficiency to our sales force have been and will continue to be expensive and could cause some near-term productivity impairments. As a result, we may not be successful in improving the productivity and efficiency of our sales force, which could cause our results of operations to suffer.

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

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

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

### **Risks Relating to Intellectual Property, Litigation, and Regulations**

**Our involvement in litigation may have a material adverse effect on our financial condition and operations.**

We have been involved in multiple intellectual property lawsuits in the past. We are from time to time party to other lawsuits. The outcome of all litigation is inherently unpredictable. The expenses of defending these lawsuits, particularly fees paid to our lawyers and expert consultants, have been significant to date. If the cost of prosecuting or defending current or future lawsuits continues to be significant, it may continue to adversely affect our operating results during the pendency of such lawsuits. Lawsuits also require a diversion of management and technical personnel time and attention away from other activities

to pursue the defense or prosecution of such matters. In addition, adverse rulings in such lawsuits either alone or cumulatively may have an adverse impact on our revenue, expenses, market share, reputation, liquidity, and financial condition.

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

Companies, organizations or individuals, including our competitors and non-practicing entities, may hold or obtain patents or other proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our services or develop new services, which could make it more difficult for us to operate our business. We have been and continue to be the target of intellectual property infringement claims by third parties. Companies holding Internet-related patents or other intellectual property rights are increasingly bringing suits alleging infringement of such rights or otherwise asserting their rights and seeking licenses. Any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources from the defense of such claims. In addition, many of our agreements with clients require us to defend and indemnify those clients for third-party intellectual property infringement claims against them, which could result in significant additional costs and diversion of resources. If we are determined to have infringed upon a third party's intellectual property rights, we may also be required to do one or more of the following:

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

If we are forced to litigate any claims or to take any of these other actions, our business may be seriously harmed.

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

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We have applied for patent protection in the United States and a number of foreign countries. These legal protections afford only limited protection and laws in foreign jurisdictions may not protect our proprietary rights as fully as in the United States. Monitoring infringement of our intellectual property rights is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our intellectual property rights. Developments and changes in patent law, such as changes in interpretations of the joint infringement standard, could restrict how we enforce certain patents we hold. We also cannot be certain that any pending or future patent applications will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent that may be issued will provide competitive advantages to us. If we are unable to effectively protect our intellectual property rights, our business may be harmed.

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

Laws and regulations that apply to communications and commerce conducted over the Internet are becoming more prevalent, both in the United States and internationally, and may impose additional burdens on companies conducting business online or providing Internet-related services such as ours. Increased regulation could negatively affect our business directly, as well as the businesses of our clients, which could reduce their demand for our services. For example, tax authorities abroad may impose taxes on the Internet-related revenue we generate based on where our internationally deployed servers are located. In addition, domestic and international taxation laws are subject to change. Our services, or the businesses of our clients, may become subject to increased taxation, which could harm our financial results either directly or by forcing our clients to scale back their operations and use of our services in order to maintain their operations. Also, the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the Act), and the regulations promulgated by the FCC under Title II of the Act, may impose obligations on the Internet and those participants involved in Internet-related businesses. In addition, the laws relating to the liability of private network operators for information carried on, processed by or disseminated through their networks are unsettled, both in the United States and abroad. Network operators have been sued in the past, sometimes successfully, based on the content of material disseminated through their networks. We may become subject to legal claims such as defamation, invasion of privacy and copyright infringement in connection with content stored on or distributed through our network. In addition, our reputation could suffer as a result of our perceived association with the type of content that some of our clients deliver. If we need to take costly measures to reduce our exposure to the risks posed by laws and regulations that apply to communications and commerce conducted over the Internet, or are required to defend ourselves against related claims, our financial results could be negatively affected.

Several other laws also could expose us to liability and impose significant additional costs on us. For example, the

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

**We are subject to stringent privacy and data protection requirements and any actual or perceived failure by us to comply with such requirements could expose us to liability and have an adverse impact on our business.**

We are subject to stringent laws and legal requirements that regulate our collection, processing, storage, use and sharing of certain personal information, including the EU’s General Data Protection Regulation (GDPR), Brazil’s Lei Geral de Protecao de Dados Pessoais (LGPD), and in the United States, the California Consumer Privacy Act (CCPA), among others. GDPR specifically imposes strict rules regulating data transfers of personal data from the EU to the United States. These laws and regulations are costly to comply with, could expose us to civil penalties and substantial penalties for non-compliance, as well as private rights of action for data breaches, all of which could increase our potential liability. This could also delay or impede the development or adoption of our products and services, reduce the overall demand for our services, result in negative publicity, increase our operating costs, require significant management time and attention, slow the pace at which we close (or prevent us from closing) sales transactions. Furthermore, these laws have prompted a number of proposals for new US and global privacy legislation, which, if enacted, could add additional complexity and potential legal risk, require additional investment of resources, and impact strategies and require changes in business practices and policies.

We expect that we will continue to face uncertainty as to whether our evolving efforts to comply with our obligations under privacy laws will be sufficient. If we are investigated by data protection regulators, we may face fines and other penalties. Any such investigation or charges by data protection regulators could have a negative effect on our existing business and on our ability to attract and retain new clients.

**Privacy concerns could lead to regulatory and other limitations on our business, including our ability to use “cookies” and video player “cookies” that are crucial to our ability to provide services to our clients.**

Our ability to compile data for clients depends on the use of “cookies” to identify certain online behavior that allows our clients to measure a website or video’s effectiveness. A cookie is a small file of information stored on a user’s computer that allows us to recognize that user’s browser or video player when the user makes a request for a web page or to play a video. Certain privacy laws regulate cookies and/or require certain disclosures regarding cookies or place restrictions on the sending of unsolicited communications. In addition, Internet users may directly limit or eliminate the placement of cookies on their computers by, among other things, using software that blocks cookies, or by disabling or restricting the cookie functions of their Internet browser software and in their video player software. If our ability to use cookies were substantially restricted due to the foregoing, or for any other reason, we would have to generate and use other technology or methods that allow the gathering of user data in order to provide services to clients. This change in technology or methods could require significant re-engineering time and resources, and may not be complete in time to avoid negative consequences to our business. In addition, alternative technology or methods might not be available on commercially reasonable terms, if at all. If the use of cookies is prohibited and we are not able to efficiently and cost effectively create new technology, our business, financial condition and results of operations would be materially adversely affected.

#### **Risks Relating to the COVID-19 Pandemic**

**The effects of the COVID-19 pandemic have materially affected how we and our clients are operating our businesses, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.**

In 2020, the WHO declared COVID-19 a global pandemic. This pandemic adversely affected work forces, organizations, governments, clients, economies, and financial markets globally, and led to an economic downturn and increased market volatility. It also disrupted the normal operations of many businesses, including ours. For example, in response to the outbreak of COVID-19, we activated our pandemic response plan and took several precautionary steps early to safeguard our business and our people, including implementing travel bans and restrictions, temporarily closing offices, and canceling participation in various industry events. The continued persistence of this outbreak, as well as intensified measures undertaken to contain the spread of COVID-19, could decrease consumer spending, adversely affect demand for our technology and services, cause some of our clients and partners to exit their business, cause one or more of our clients to fail to renew, terminate, or renegotiate their contracts, affect the ability of our sales team to travel to potential clients, impact expected

spending from new clients, and negatively impact collections of accounts receivable, all of which could adversely affect our business, results of operations, and financial condition. Also, the sales cycle for a new client of our technology and services could lengthen, resulting in a potentially longer delay between increasing operating expenses and the generation of corresponding revenue, if any. We cannot predict whether and to what degree the disruption caused by the COVID-19 pandemic and reactions thereto will continue, and expect to face difficulty accurately predicting our internal forecasts for the foreseeable future. The outbreak also presents challenges as our workforce is currently working remotely and shifting to assisting new and existing clients who are also generally working remotely. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations, or financial condition.

### **Risks Relating to Strategic Transactions**

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

We may seek to acquire businesses or technologies that are complementary to our business in the future. Acquisitions are often complex and involve a number of risks to our business, including, among others:

- the difficulty of integrating the operations, services, solutions and personnel of the acquired companies;
- the potential disruption of our ongoing business;
- the potential distraction of management;
- the possibility that our business culture and the business culture of the acquired companies will not be compatible;
- the difficulty of incorporating or integrating acquired technology and rights;
- expenses related to the acquisition and to the integration of the acquired companies;
- the impairment of relationships with employees and clients as a result of any integration of new personnel;
- employee turnover from the acquired companies or from our current operations as we integrate businesses;
- risks related to the businesses of acquired companies that may continue following the merger; and
- potential unknown liabilities associated with acquired companies.

If we are not successful in completing acquisitions, or integrating completed acquisitions in a timely manner, we may be required to reevaluate our business strategy, and we may incur substantial expenses and devote significant management time and resources without a productive result. Acquisitions will require the use of our available cash or dilutive issuances of securities. Future acquisitions or attempted acquisitions could also harm our ability to achieve profitability.

### **Risks Related to Investments and Our Outstanding Convertible Notes**

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

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

**Servicing our debt may require a significant amount of cash. We may not have sufficient cash flow from our business to pay our indebtedness.**

In July 2020, we issued \$125,000 aggregate principal amount of 3.50% Convertible Senior Notes due 2025 (the Notes) in a private offering. Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate cash flow from operations sufficient to service our debt or make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt or equity financing on terms that may be onerous or highly dilutive. Our ability to refinance any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result

in an event of default which, if not cured or waived, could result in the acceleration of our debt.

**Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition, and results of operations and impair our ability to satisfy our obligations under the Notes.**

We incurred \$125,000 principal amount of additional indebtedness as a result of our issuance of the Notes. We may also incur additional indebtedness to meet future financing needs, including under our credit facility with SVB. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations, and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our stockholders as a result of issuing shares of our stock upon conversion of the Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, including the Notes, and our cash needs may increase in the future. In addition, the Credit Agreement governing our credit facility contains, and any future indebtedness that we may incur may contain, financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

**We may be unable to raise the funds necessary to repurchase the Notes for cash following a fundamental change, or to pay any cash amounts due upon conversion, and our other indebtedness may limit our ability to repurchase the Notes or pay cash upon their conversion.**

Holders of the Notes may require us to repurchase their Notes following a fundamental change at a cash repurchase price generally equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion, we will satisfy part or all of our conversion obligation in cash unless we elect to settle conversions solely in shares of our common stock. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Notes or pay the cash amounts due upon conversion. In addition, applicable law, regulatory authorities, and the agreements governing our other indebtedness may restrict our ability to repurchase the Notes or pay the cash amounts due upon conversion. Our failure to repurchase the Notes or to pay the cash amounts due upon conversion when required will constitute a default under the indenture governing the Notes. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the Notes.

**The accounting method for the Notes could adversely affect our reported financial condition and results.**

The accounting method for reflecting the Notes on our balance sheet, accruing interest expense for the Notes and reflecting the underlying shares of our common stock in our reported diluted earnings per share may adversely affect our reported earnings and financial condition. We expect that, under applicable accounting principles, the initial liability carrying amount of the Notes will be the fair value of a similar debt instrument that does not have a conversion feature, valued using our cost of capital for straight, non-convertible debt. We expect to reflect the difference between the net proceeds from the offering of the Notes and the initial carrying amount as a debt discount for accounting purposes, which will be amortized into interest expense over the term of the Notes. As a result of this amortization, the interest expense that we expect to recognize for the Notes for accounting purposes will be greater than the cash interest payments we will pay on the Notes, which will result in lower reported income or higher reported losses. The lower reported income or higher reported losses resulting from this accounting treatment could depress the trading price of our common stock and the Notes.

However, in August 2020, FASB published ASU 2020-06, eliminating the separate accounting for the debt and equity components as described above. ASU 2020-06 will be effective for SEC-reporting entities for fiscal years beginning after



December 15, 2021 (or, in the case of smaller reporting companies, December 15, 2023), including interim periods within those fiscal years. On January 1, 2021, we early adopted ASU 2020-06. The adoption of ASU 2020-06 eliminated the separate accounting described above and will reduce the interest expense that we expect to recognize for the Notes for accounting purposes. In addition, ASU 2020-06 eliminates the use of the treasury stock method for convertible instruments that can be settled in whole or in part with equity, and instead require application of the “if-converted” method. Under that method, if it is adopted, diluted earnings per share would generally be calculated assuming that all the Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. The application of the if-converted method may reduce our reported diluted earnings per share. Also, if any of the conditions to the convertibility of the Notes is satisfied, then we may be required under applicable accounting standards to reclassify the liability carrying value of the Notes as a current, rather than a long-term, liability. This reclassification could be required even if no Note-holders convert their Notes and could materially reduce our reported working capital.

**Transactions relating to our Notes may affect the value of our common stock.**

In connection with the pricing of the Notes, we entered into capped call transactions (collectively, the Capped Calls) with one of the initial purchasers of the Notes and other financial institutions (collectively, the Option Counterparties). The Capped Calls cover, subject to customary adjustments, the number of shares of common stock initially underlying the Notes. The Capped Calls are expected generally to reduce the potential dilution of our common stock upon conversion of the Notes or at our election (subject to certain conditions) offset any cash payments we are required to make in excess of the aggregate principal amount of converted Notes, as the case may be, with such reduction or offset subject to a cap.

In addition, the Option Counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the Notes and from time to time prior to the maturity of the Notes (and are likely to do so on each exercise date of the Capped Calls, which are expected to occur during the 40 trading day period beginning on the 41st scheduled trading day prior to the maturity date of the Notes, or following any termination of any portion of the Capped Calls in connection with any repurchase, redemption, or conversion of the Notes if we make the relevant election under the Capped Calls). This activity could also cause or avoid an increase or a decrease in the market price of our common stock.

**We are subject to counterparty risk with respect to the Capped Calls.**

The Option Counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the Capped Calls. Our exposure to the credit risk of the Option Counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the Capped Calls with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price subject to the cap and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the Option Counterparties.

**Risks Related to Ownership of Our Common Stock**

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

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

- variations in our operating results;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- commencement or resolution of, our involvement in and uncertainties arising from litigation;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by securities analysts;
- if we or our stockholders sell substantial amounts of our common stock (including shares issued upon the exercise of options and warrants);
- developments or disputes concerning our intellectual property or other proprietary rights;
- the gain or loss of significant clients;
- market conditions in our industry, the industries of our clients, and the economy as a whole, including the economic impact of the COVID-19 pandemic; and

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

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

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

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If an analyst issues an adverse or misleading opinion, our stock price could decline. If one or more of these analysts cease covering us or fails to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

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

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

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

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

- establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning a majority of our capital stock;
- authorize the issuance of “blank check” preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- limit who may call special meetings of stockholders;
- prohibit action by written consent, thereby requiring stockholder actions to be taken at a meeting of the stockholders;
- establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings;
- provide for a board of directors with staggered terms; and
- provide that the authorized number of directors may be changed only by a resolution of our board of directors.

In addition, Section 203 of the Delaware General Corporation Law, which imposes certain restrictions relating to transactions with major stockholders, may discourage, delay or prevent a third party from acquiring us.

**General Risk Factors**

**We are subject to the effects of fluctuations in foreign exchange rates, which could affect our operating results.**

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

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

As of June 30, 2021, we had a goodwill balance of approximately \$77,642, which is subject to periodic testing for impairment. Our long-lived assets also are subject to periodic testing for impairment. A significant amount of judgment is



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

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

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

- our ability to increase sales to existing clients and attract new clients to our services;
- the addition or loss of large clients, or significant variation in their use of our services;
- costs associated with current or future intellectual property lawsuits and other lawsuits;
- service outages or third party security breaches to our platform or to one or more of our clients' platforms;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business, operations and infrastructure and the adequacy of available funds to meet those requirements;
- the timing and success of new product and service introductions by us or our competitors;
- the occurrence of significant events in a particular period that result in an increase in the use of our services, such as a major media event or a client's online release of a new or updated video game or operating system;
- changes in our pricing policies or those of our competitors;
- the timing of recognizing revenue;
- limitations of the capacity of our global network and related systems;
- the timing of costs related to the development or acquisition of technologies, services or businesses;
- the potential write-down or write-off of intangible or other long-lived assets;
- general economic, industry and market conditions (such as fluctuations experienced in the stock and credit markets during times of deteriorated global economic conditions or during an outbreak of an epidemic or pandemic, such as the recent COVID-19 outbreak) and those conditions specific to Internet usage;
- limitations on usage imposed by our clients in order to limit their online expenses; and
- war, threat of war or terrorism, including cyber terrorism, and inadequate cybersecurity.

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

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

We incur significant expenses in developing our technology and maintaining and expanding our network. We also incur significant share-based compensation expense and have incurred (and may in the future incur) significant costs associated with litigation. Accordingly, we may not be able to achieve or maintain profitability for the foreseeable future. We also may not achieve sufficient revenue to achieve or maintain profitability and thus may continue to incur losses in the future for a number of reasons, including, among others:

- slowing demand for our services;
- increasing competition and competitive pricing pressures;
- any inability to provide our services in a cost-effective manner;
- incurring unforeseen expenses, difficulties, complications and delays; and
- other risks described in this report.

If we fail to achieve and maintain profitability, the price of our common stock could decline, and our business, financial condition and results of operations could suffer.

**We have incurred, and will continue to incur, significant costs as a result of operating as a public company, and our management is required to devote substantial time to corporate governance.**

We have incurred, and will continue to incur, significant public company expenses, including accounting, legal and other professional fees, insurance premiums, investor relations costs, and costs associated with compensating our independent directors. In addition, rules implemented by the SEC and Nasdaq impose additional requirements on public companies, including requiring changes in corporate governance practices. For example, the Nasdaq listing requirements require that we satisfy certain corporate governance requirements. Our management and other personnel need to devote a substantial amount of time to these governance matters. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly. For example, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance.

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

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

**If we fail to maintain proper and effective internal controls or fail to implement our controls and procedures with respect to acquired or merged operations, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and investors' views of us.**

We must ensure that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis. We are required to spend considerable effort on establishing and maintaining our internal controls, which is costly and time-consuming and needs to be re-evaluated frequently.

We have operated as a public company since June 2007, and we will continue to incur significant legal, accounting, and other expenses as we comply with Sarbanes-Oxley, as well as new rules implemented from time to time by the SEC and Nasdaq. These rules impose various requirements on public companies, including requiring changes in corporate governance practices, increased reporting of compensation arrangements, and other requirements. Our management and other personnel will continue to devote a substantial amount of time to these compliance initiatives. Moreover, new rules and regulations will likely increase our legal and financial compliance costs and make some activities more time-consuming and costly.

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

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

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

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On April 27, 2021, we issued two warrants to purchase common stock to an outside consulting firm. The first warrant was for up to an aggregate of 441,867 shares at an exercise price per share equal to \$0.01 per share and the second warrant was for up to an aggregate of 662,800 shares at an exercise price per share equal to \$3.72 per share. Each warrant has a term of three years and was issued as partial consideration for services rendered by such firm. The warrants become exercisable as follows:

- 50% of each warrant is subject to time-based vesting over approximately 1 year; and
- 50% of each warrant is subject to performance-based vesting based on certain specific financial and operational metrics.

We terminated the relationship with the consulting firm in June 2021. As a result, only 55,233 shares from the first warrant and 82,850 shares from the second warrant are vested and exercisable, subject to the terms and conditions of the warrants.

We believe these transactions were exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. All recipients had adequate access, through their relationships with us, to information about Limelight Networks, Inc.

**Item 3. Defaults upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Provided Herewith
			File No.	Exhibit	Filing Date	
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Limelight Networks, Inc.</a>	8-K	001-33508	3.1	6/14/11	
3.2	<a href="#">Second Amended and Restated Bylaws of Limelight Networks, Inc.</a>	8-K	001-33508	3.2	2/19/13	
4.1	<a href="#">Warrant to Purchase Common Stock issued to AlixPartners, LLP by Limelight Networks, Inc., dated April 27, 2021 CSW-1</a>					X
4.2	<a href="#">Warrant to Purchase Common Stock issued to AlixPartners, LLP by Limelight Networks, Inc., dated April 27, 2021 CSW-2</a>					X
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a).</a>					X
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a).</a>					X
32.1	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).*</a>					X
32.2	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).*</a>					X
101.SCH	INLINE XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT					X
101.CAL	INLINE XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT					X
101.DEF	INLINE XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT					X
101.LAB	INLINE XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT					X
101.PRE	INLINE XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT					X
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.)					X

\*This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Limelight Networks, Inc. specifically incorporates it by reference.



NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY AND ITS TRANSFER AGENT OR (II) UNLESS PURSUANT TO RULE 144 UNDER THE SECURITIES ACT.

**LIMELIGHT NETWORKS, INC.**

**WARRANT TO PURCHASE COMMON STOCK**

Warrant No. CSW-1

Original Issue Date: April 27, 2021

Limelight Networks, Inc., a Delaware corporation (the "*Company*"), hereby certifies that, for value received, AlixPartners, LLP, or its permitted registered assigns (the "*Holder*"), is entitled to purchase from the Company up to a total of 441,867 shares of common stock, \$0.001 par value per share (the "*Common Stock*"), of the Company (each such share, a "*Warrant Share*" and all such shares, the "*Warrant Shares*") at an exercise price per share equal to \$0.01 per share (as adjusted from time to time as provided in Section 9 herein, the "*Exercise Price*"), at any time and from time to time on or after the date hereof (the "*Original Issue Date*") and through and including 8:00 P.M., New York City time, on three-year anniversary of the Original Issue Date (the "*Expiration Date*"), and subject to the following terms and conditions:

This Warrant (this "*Warrant*") is one of a series of similar warrants issued pursuant to that certain Engagement Letter, dated February 5, 2021, by and between the Company and AlixPartners, LLC, as amended on April 27, 2021 by the First Addendum to Engagement Letter 1 (the "*Engagement Letter*"). All such Warrants are referred to herein, collectively, as the "*Warrants*."

1. **Definitions.** In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Engagement Letter.
2. **Registration of Warrants.** The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "*Warrant Register*"), in the name of the record Holder (which shall include the initial Holder or, as the case may be, any registered assignee to which this Warrant is permissibly assigned hereunder) from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose

of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers. Subject to compliance with all applicable securities laws, the Company shall register the transfer of all or any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached as Schedule 3 hereto duly completed and signed, to the Company's transfer agent or to the Company at 1465 North Scottsdale Road, Suite 400 Scottsdale, Arizona 85257 and (x) in compliance with the legend affixed to the face of this Warrant and (y) delivery by the transferee of a written statement to the Company certifying that the transferee is an "accredited investor" as defined in Rule 501(a) under the Securities Act. Upon any such registration or transfer, a new warrant to purchase Common Stock in substantially the form of this Warrant (any such new warrant, a "New Warrant") evidencing the portion of this Warrant so transferred shall be issued to the transferee, and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations in respect of the New Warrant that the Holder has in respect of this Warrant. The Company shall prepare, issue and deliver at its own expense any New Warrant under this Section 3.

4. Vesting, Exercise and Duration of Warrants.

(a) No portion of this Warrant may be exercised until such portion shall have vested and become exercisable.

(b) Except as set forth below, this Warrant shall be vested and exercisable on the respective dates indicated below:

(i) This Warrant shall initially be unvested and unexercisable.

(ii) This Warrant shall vest and become exercisable in accordance with the Vesting Schedule attached hereto as Schedule 1.

(c) All or any part of this Warrant shall be exercisable by the registered Holder in any manner permitted by Section 10 of this Warrant at any time and from time to time on or after the Original Issue Date and through and including 8:00 P.M. New York City time, on the Expiration Date. At 8:00 P.M., New York City time, on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value and this Warrant shall be terminated and no longer outstanding.

(b) The Holder may exercise this Warrant by delivering to the Company (i) an exercise notice, in the form attached as Schedule 2 hereto (the "Exercise Notice"), completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised (which may take the form of a "cashless exercise" if so indicated in the Exercise Notice), and the date on which the last of such items is delivered to the Company (as determined in accordance with the notice provisions hereof) is an "Exercise Date." The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice shall have the same effect as

cancellation of the original Warrant and issuance of a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

5. Delivery of Warrant Shares.

(a) Upon exercise of this Warrant, the Company shall promptly (but in no event later than two (2) Trading Days after the Exercise Date) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder and in such name or names as the Holder may designate (provided that, if the Registration Statement is not effective and the Holder directs the Company to deliver a certificate for the Warrant Shares in a name other than that of the Holder or an Affiliate of the Holder, it shall deliver to the Company on the Exercise Date an opinion of counsel reasonably satisfactory to the Company to the effect that the issuance of such Warrant Shares in such other name may be made pursuant to an available exemption from the registration requirements of the Securities Act and all applicable state securities or blue sky laws), (i) a certificate for the Warrant Shares issuable upon such exercise, free of restrictive legends, or (ii) an electronic delivery of the Warrant Shares to the Holder's account at the Depository Trust Company ("DTC") or a similar organization, unless in the case of clause (i) and (ii) a registration statement covering the resale of the Warrant Shares and naming the Holder as a selling stockholder thereunder is not then effective or the Warrant Shares are not freely transferable without volume and manner of sale restrictions pursuant to Rule 144 under the Securities Act, in which case such Holder shall receive a certificate for the Warrant Shares issuable upon such exercise with appropriate restrictive legends. The Holder, or any Person permissibly so designated by the Holder to receive Warrant Shares, shall be deemed to have become the holder of record of such Warrant Shares as of the Exercise Date. If the Warrant Shares are to be issued free of all restrictive legends, the Company shall, upon the written request of the Holder, use its reasonable best efforts to deliver, or cause to be delivered, Warrant Shares hereunder electronically through DTC or another established clearing corporation performing similar functions, if available; provided, that, the Company may, but will not be required to, change its transfer agent if its current transfer agent cannot deliver Warrant Shares electronically through such a clearing corporation. Upon the written request of Holder, the Company shall take all action necessary for any Warrant Shares issued upon exercise of this Warrant to be, free of any restrictive legend (subject the requirements of Rule 144 under the Securities Act), including, without limitation, taking all action necessary to remove any restrictive legend on such Warrant Shares if such Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 under the Securities Act.

(b) To the extent permitted by law, the Company's obligations to issue and deliver Warrant Shares in accordance with and subject to the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance that might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit the Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.



6. Charges, Taxes and Expenses. Issuance and delivery of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; *provided, however*, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or the Warrants in a name other than that of the Holder or an Affiliate thereof. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction (in such case) and, in each case, a customary and reasonable indemnity and surety bond, if requested by the Company. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe. If a New Warrant is requested as a result of a mutilation of this Warrant, then the Holder shall deliver such mutilated Warrant to the Company as a condition precedent to the Company's obligation to issue the New Warrant.

8. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares that are initially issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (taking into account the adjustments and restrictions of Section 9). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable. The Company will take all such action as may be reasonably necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the Common Stock may be listed.

9. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides its outstanding shares of Common Stock into a larger number of shares, (iii) combines its outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of Common Stock any shares of capital of the Company, then in each such case the Exercise Price shall be multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately before such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become

effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination.

(b) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, distributes to all holders of Common Stock for no consideration (i) evidences of its indebtedness, (ii) any security (other than a distribution of Common Stock covered by the preceding paragraph) or (iii) rights or warrants to subscribe for or purchase any security, or (iv) any other cash distribution or other asset (in each case, “*Distributed Property*”), then, upon any exercise of this Warrant that occurs after the record date fixed for determination of stockholders entitled to receive such distribution, the Holder shall be entitled to receive, in addition to the Warrant Shares otherwise issuable upon such exercise (if applicable), the Distributed Property that such Holder would have been entitled to receive in respect of such number of Warrant Shares had the Holder been the record holder of such Warrant Shares immediately prior to such record date without regard to any limitation on exercise contained therein.

(c) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to paragraph (a) of this Section 9, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the increased or decreased number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(d) Calculations. All calculations under this Section 9 shall be made to the nearest cent or the nearest share, as applicable.

(e) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will, at the written request of the Holder, promptly compute such adjustment, in good faith, in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company’s transfer agent.

(h) Notice of Corporate Events. If, while this Warrant is outstanding, the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including, without limitation, any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for: (w) any merger or consolidation of the Company with or into another Person, in which the Company is not the survivor or the stockholders of the Company immediately prior to such merger or consolidation do not own, directly or indirectly, at least 50% of the voting securities of the surviving entity, (x) any sale of all or substantially all of its assets or a majority of its Common Stock is acquired by a third party, in each case, in one or a series of related transactions, (y) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which all or substantially all of the holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (z) any reclassification of the Common Stock or

any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Common Stock covered by Section 9(a) above) (in any such case, a “*Fundamental Transaction*”) or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice of such transaction at least twenty (20) calendar days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction; *provided, however*, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of its subsidiaries, the Company shall simultaneously file such notice with the U.S. Securities and Exchange Commission pursuant to a Current Report on Form 8-K.

10. Payment of Exercise Price. The Holder shall pay the Exercise Price in immediately available funds or elect, in its sole discretion, to satisfy its obligation to pay the Exercise Price through a “cashless exercise”, in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

“X” equals the number of Warrant Shares to be issued to the Holder;

“Y” equals the total number of Warrant Shares with respect to which this Warrant is being exercised;

“A” equals the average of the Closing Sale Prices of the shares of Common Stock (as reported by Bloomberg Financial Markets) for the five (5) consecutive Trading Days ending on the date immediately preceding the Exercise Date; and

“B” equals the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

For purposes of this Warrant, “*Closing Sale Price*” means, for any security as of any date, the last trade price for such security on the Principal Trading Market for such security, as reported by Bloomberg Financial Markets, or, if such Principal Trading Market begins to operate on an extended hours basis and does not designate the last trade price, then the last trade price of such security prior to 4:00 P.M., New York City time, as reported by Bloomberg Financial Markets, or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg Financial Markets, or, if no last trade price is reported for such security by Bloomberg Financial Markets, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the “pink sheets” by Pink Sheets LLC. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then the Board of Directors of the Company shall use its good faith judgment to

determine the fair market value. The Board of Directors' determination shall be binding upon all parties absent demonstrable error. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period. "Principal Trading Market" means the securities trading market on which the Company's common stock is primarily listed on and quoted for trading, which, as of the date of this Agreement is the Nasdaq Capital Market.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a "cashless exercise" transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued (provided that the Commission continues to take the position that such treatment is proper at the time of such exercise).

11. **No Fractional Shares.** No fractional Warrant Shares will be issued in connection with any exercise of this Warrant. In lieu of any fractional shares that would otherwise be issuable, the number of Warrant Shares to be issued shall be rounded down to the next whole number and the Company shall pay the Holder in cash the fair market value (based on the Closing Sale Price) for any such fractional shares.

12. **Notices.** Any and all notices or other communications or deliveries hereunder (including, without limitation, any Exercise Notice) shall be in compliance with the notice provisions set forth in Section 12 of the Engagement Letter.

13. **Warrant Agent.** The Company shall serve as warrant agent under this Warrant. Upon thirty (30) days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

14. **Holder Status.** At the time such Holder was offered the Warrant Shares, it represents and warrants that it was, and at the date hereof it is, and on each date on which it exercises the Warrants Shares it will be, an "accredited investor" as defined in Rule 501(a) under the Securities Act. Holder hereby represents that neither it nor any of its Rule 506(d) Related Parties is a "bad actor" within the meaning of Rule 506(d) promulgated under the Securities Act. For purposes of this Agreement, "*Rule 506(d) Related Party*" shall mean a person or entity covered by the "Bad Actor disqualification" provision of Rule 506(d) of the Securities Act.

15. **Registration.** The Company meets the registration and transaction requirements for use of Form S-3 for the registration and resale of the Warrant Shares and will file a registration statement to register the Warrant Shares as soon as practicable, and no later than 120 days from the Original Issue Date. The Company shall use commercially reasonable efforts to prepare and

file with the Securities and Exchange Commission (“SEC”) such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement continuously effective and free from any material misstatement or omission to state a material fact until such time as all such Warrant Shares have been sold pursuant to a registration statement or are otherwise freely tradable.

16. Miscellaneous.

(a) No Rights as a Stockholder. The Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, amalgamation, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

(b) Authorized Shares. (i) The Company covenants that during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Principal Trading Market. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

(ii) Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate or articles of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (a) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (b) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable

Warrant Shares upon the exercise of this Warrant, and (c) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

(iii) Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(c) Successors and Assigns. Subject to compliance with applicable securities laws, this Warrant may be assigned by the Holder. This Warrant may not be assigned by the Company without the written consent of the Holder except to a successor in the event of a Fundamental Transaction. This Warrant shall be binding on and inure to the benefit of the Company and the Holder and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. This Warrant may be amended only in writing signed by the Company and the Holder, or their successors and assigns.

(d) Amendment and Waiver. Except as otherwise provided herein, the provisions of the Warrants may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holders of Warrants representing no less than a majority of the Warrant Shares obtainable upon exercise of the Warrants then outstanding.

(e) Acceptance. Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

(f) Governing Law; Jurisdiction. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. EACH OF THE COMPANY AND THE HOLDER HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN, FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HERewith OR WITH ANY TRANSACTION CONTEMPLATED HEREBY OR DISCUSSED HEREIN (INCLUDING WITH RESPECT TO THE ENFORCEMENT OF ANY OF THE TRANSACTION DOCUMENTS), AND HEREBY IRREVOCABLY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT. EACH OF THE COMPANY AND THE HOLDER HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF VIA REGISTERED OR CERTIFIED MAIL OR OVERNIGHT DELIVERY (WITH EVIDENCE OF DELIVERY) TO SUCH PERSON AT 1465 NORTH SCOTTSDALE ROAD, SUITE 400 SCOTTSDALE, ARIZONA 85257 AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO

SERVE PROCESS IN ANY MANNER PERMITTED BY LAW. EACH OF THE COMPANY AND THE HOLDER HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY.

(g) Headings. The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(h) Severability. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby, and the Company and the Holder will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

LIMELIGHT NETWORKS, INC.

By: \_\_\_\_\_

Name:

Title:

Accepted and agreed:

ALIXPARTNERS, LLP

By: \_\_\_\_\_

Name:

Title:

ACTIVE/106982147.1ACTIVE/106982147.1



## SCHEDULE 1

### VESTING

1. Vesting Schedule. For purposes of this Warrant, the term “*vest*” shall mean with respect to any Warrant Share that such share is eligible to be exercised by the Holder. If Holder would become vested in any fraction of a Warrant Share on any date, such fractional share shall not vest and shall remain ineligible for exercise until Holder becomes vested in the entire share. The Warrant Shares subject to this Warrant shall vest as follows:

(a) 12.5% of the Warrant Shares shall vest on each of the following dates: June 8, 2021, September 8, 2021, December 8, 2021 and February 28, 2022, provided that Holder is still providing services to the Company under the Engagement Letter.

(b) 50% of each Warrant Shares will vest based on the following four performance-based metrics (together, “BACR”):

- Net Bookings Revenue
- Average Network Utilization Percentage
- Cost per Gigabyte
- Net Revenue Retention

Warrant Shares will automatically vest as Total BACR is approved by the steering committee formed pursuant to the Engagement Letter (the “*Steering Committee*”). Total BACR achieved between the thresholds set forth in the table below shall result in a pro-rata amount of Warrant Shares becoming vested, as calculated at the end of each of the four fiscal quarters beginning with the quarter ending June 30, 2021 and ending on the quarter ending March 31, 2022.

<u>Total BACR</u>	<u>% of Warrant Shares Vested</u>
\$0	0.0%
\$10,000,000	12.5%
\$20,000,000	25.0%
\$30,000,000	37.5%
\$40,000,000	50.0%

For example:

- If the Total BACR is \$10,000,000, 12.5% of the Warrant Shares will become vested.
- If Total BACR is \$35,000,000 43.75% of the Warrant Shares will become vested.

## 2. Certain Definitions.

**Total BACR:** “*Total BACR*” is defined as the total of the BACR from the four performance metric initiatives described herein.

**Baseline:** Each performance metric work has established a baseline (shown below), which has been agreed to by the Company

- **New Bookings Revenue Baseline:** The Baseline for this metric is \$0. Holder will get credit, dollar-for-dollar for any new bookings originated by Holder.
- **Average Network Utilization Baseline:** The Baseline for this metric is 16.2%. “*Average Network Utilization*” shall mean the total gigabytes transferred divided by the total gigabytes available to be delivered based on in-service server capacity.
- **Cost per Gigabyte Baseline:** The Baseline for this metric is \$0.0032. “Cost per Gigabyte is calculated based on the total cost of revenue line item report in the Company’s Consolidated Statements of Operations (i.e., all bandwidth and co-location fees, depreciation, payroll and related employee costs, share-based compensation and other costs) divided by the total gigabytes transferred.
- **Net Revenue Retention (NRR):** The Baseline for this metric will be the revenue associated with all clients (excluding Amazon), as defined by the Limelight’s corporate metric. as of December 31, 2020 (the “*Existing Client Baseline*”). This client listing will be used to calculate the year-over-year, last-twelve-month NRR achievement.

**BACR:** “BACR” is defined as the total projected benefit to the Company from the four performance metrics (as compared to the Baselines) as further detailed below:

- **New Bookings Revenue:** Upon signature of a new contract, Steering Committee approval, or as otherwise agreed to by the Company, Holder will earn dollar-for-dollar credit for the initial contract term (typically 12 months) of new logo revenue generated directly from an Holder referral/introduction.
  - For example: If a new two-year contract is signed for \$2M in revenue over the two years, Holder will get credit for \$2M towards the Total BACR calculation.
  - Holder will receive credit for the initial contract term for each customer, even if the period extends past the termination or expiration of this agreement.
  - Upon signing a new contract (or as otherwise agreed to by the Company), BACR will be calculated and added to Total BACR using the revenues/fees actually recognized from the referred customer from the full duration of the contract as estimated by the sales team. On a quarterly basis thereafter during Limelight’s normal financial close cycle and throughout the term of each such new contract (which may continue after the termination/expiration of this Addendum), actual revenues from each such new contract for that quarter will be

- calculated. To the extent actual revenues from any such new contract for that quarter exceeds the projected revenues from that new contract for that same quarter, the difference shall be added to the Total BACR calculation.
- Average Network Utilization: For every 10 (basis points) improvement in the Baseline (as measured every quarter), Holder will get \$0.5M credit towards the Total BACR calculation
    - For example, if Average Network Utilization in the second quarter improved by 1%, Holder will get \$5M in credit toward the Total BACR calculation (100bps/10bps \* \$0.5M)
    - Average Network Utilization will be calculated by the Company at the end of each quarter throughout the term of Holder's engagement with the Company (under this First Addendum or otherwise).
    - If Average Network Utilization goes up in Quarter 1, so Holder earns Total BACR, but goes back down the next quarter, Total BACR will not be taken away from Holder but Holder will only earn additional new Total BACR to the extent that Average Network Utilization exceeds the Average Network Utilization from Quarter 1.
  - Cost per Gigabyte: Holder will get credit dollar-for-dollar on Cost per Gigabyte improvements (over the Baseline), as measured every quarter, multiplied by the estimated total gigabyte volume over the next 12-month period
    - For example, if the Cost per Gigabyte improved by \$.0001 in the second quarter, with an estimated volume of 40 million gigabytes, Holder will get \$4M in credit toward the Total BACR calculation
    - Cost per Gigabyte will be calculated by the Company at the end of each quarter throughout the term of Holder's engagement with the Company (under this First Addendum or otherwise).
    - If the Cost per Gigabyte goes down in Quarter 1, so Holder earns Total BACR, but goes back up the next quarter, Total BACR will not be taken away from Holder but Holder will only earn additional new Total BACR to the extent that Cost per Gigabyte thereafter is lower than the Cost per Gigabyte from Quarter 1.
  - Net Revenue Retention (NRR): Holder will get credit dollar-for-dollar on any net revenue retention as compared to the Existing Client Baseline based on a year-over-year, last-twelve-month (or four-quarter) basis. The calculation will be performed on a quarterly basis and incorporated into the Total BACR calculation.
    - For example, if the Company's revenue from the Existing Client Baseline in 1Q 2021 and 1Q 2020 were \$232M and \$218M, respectively, Holder will get credit of \$4M to be applied toward the Total BACR calculation (\$232M minus \$218M baseline)

- Net revenue retention will be measured for the earlier to occur of March 31, 2022 or the termination of Holder's engagement in accordance with the terms hereof.

### 3. Collaborative Nature and Total BACR Calculation.

(a) To maximize the value for the Company it is critical that this effort be collaborative. It is recognized that many of the improvement ideas that will be developed may be known somewhere in the Company. With the exception of the initiatives explicitly identified by the Company and agreed in writing prior to the start of the engagement to be outside the scope of this engagement, there will be no separation of Company and Holder's ideas and associated Total BACR.

(b) At the end of every quarter, initiative summaries on the four performance metrics including Total BACR calculations will be submitted to the Steering Committee for review and approval. The Steering Committee shall meet and review each such initiative summary in good faith and promptly approve the summaries. Upon approval by the Steering Committee, the BACR associated with performance metric initiative will be added to the Total BACR calculation. The Warrant Shares will automatically vest as Total BACR is approved by the Steering Committee or otherwise implemented by the Company. The Company shall process the vesting of any such Warrant Shares with the Company's transfer agent on at least a quarterly basis (following the regular Steering Committee meetings).

### 4. Termination and Acceleration.

(a) In the event the Engagement Letter is terminated by either party, Holder will have ten (10) business days to present recommended actions and BACR to the Steering Committee to be evaluated promptly in good faith to be approved and included in the Total BACR calculation.

(b) If the Engagement Letter is terminated by Holder prior to December February 28, 2022 for any reason, all of Holder's unvested Warrant Shares will be forfeited.

(c) In addition, the Company shall have a right to terminate the Engagement Letter for convenience with 15 day's prior notice to Holders. In the event of such a termination for convenience, Holders shall remain entitled to the time-based vesting of Warrant Shares and the vesting of Warrant Shares for any BACR that accrues through the date of termination. In such event, the Steering Committee shall promptly meet and use good faith efforts to calculate the vesting earned by Holders from BACR metrics through such termination date. Notwithstanding the foregoing, any such early termination shall not impact Holder's accrual of (and related vesting from) Net New Bookings, per the terms above. For clarity, if the initial term for a Net New Booking extends beyond the Warrant Expiration Date, then the Steering Committee will meet no later than 120 days prior to the Warrant Expiration Date to make a good faith estimate as to the reasonably expected revenue through the remaining period of initial term for such Net New Booking and apply such expected revenue to the BACR calculation for Net New Bookings for purposes of vesting.

(d) Acceleration. Notwithstanding anything contrary herein, immediately prior to the consummation of a Change of Control (as defined below), 50% of the then-unvested Warrant

Shares subject to time-based vesting pursuant to paragraph 1(a) above shall immediately vest, without other action taken by either party, if, prior to February 28, 2022, (i) the Company incurs a Change of Control (as defined below), and (ii) its successor does not assume this Agreement in its entirety.

As used herein, “Change of Control” will mean the occurrence of any of the following events: (a) the consummation by the Company of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; (b) the approval by the stockholders of the Company, or if stockholder approval is not required, approval by the Board, of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets; or (c) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), becoming the “beneficial owner” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company’s then outstanding voting securities.

SCHEDULE 2

FORM OF EXERCISE NOTICE

[To be executed by the Holder to purchase shares of Common Stock under the Warrant]

Ladies and Gentlemen:

(1) The undersigned is the Holder of Warrant No. \_\_\_\_\_ (the “*Warrant*”) issued by Limelight Networks, Inc., a Delaware corporation (the “*Company*”). Capitalized terms used herein and not otherwise defined herein have the respective meanings set forth in the Warrant.

(2) The undersigned hereby exercises its right to purchase \_\_\_\_\_ Warrant Shares pursuant to the Warrant.

(3) The Holder intends that payment of the Exercise Price shall be made as (check one):

Cash Exercise

“Cashless Exercise” under Section 10 of the Warrant

(4) If the Holder has elected a Cash Exercise, the Holder shall pay the sum of \$\_\_\_\_\_ in immediately available funds to the Company in accordance with the terms of the Warrant.

(5) Pursuant to this Exercise Notice, the Company shall deliver to the Holder Warrant Shares determined in accordance with the terms of the Warrant.

(6) The Holder and its Attribution Parties (as defined in the Warrant) together beneficially own an aggregate of \_\_\_\_ shares of Common Stock (as defined in the Warrant), as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934 and the applicable regulations of the Securities and Exchange Commission.

Dated: \_\_\_\_\_

Name of Holder: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Signature must conform in all respects to name of Holder as specified on the face of the Warrant)

SCHEDULE 3

FORM OF ASSIGNMENT

[To be completed and executed by the Holder only upon transfer of the Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (the “*Transferee*”) the right represented by the within Warrant to purchase \_\_\_\_\_ shares of Common Stock of Limelight Networks, Inc. (the “*Company*”) to which the within Warrant relates and appoints \_\_\_\_\_ attorney to transfer said right on the books of the Company with full power of substitution in the premises. In connection therewith, the undersigned represents, warrants, covenants and agrees to and with the Company that:

- (a) the offer and sale of the Warrant contemplated hereby is being made in compliance with Section 4(a)(1) of the United States Securities Act of 1933, as amended (the “*Securities Act*”) or another valid exemption from the registration requirements of Section 5 of the Securities Act and in compliance with all applicable securities laws of the states of the United States;
- (b) the undersigned has not offered to sell the Warrant by any form of general solicitation or general advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, and any seminar or meeting whose attendees have been invited by any general solicitation or general advertising;
- (c) the undersigned has read the Transferee’s investment letter included herewith, and to its actual knowledge, the statements made therein are true and correct; and
- (d) the undersigned understands that the Company may condition the transfer of the Warrant contemplated hereby upon the delivery to the Company by the undersigned or the Transferee, as the case may be, of a written opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that such transfer may be made without registration under the Securities Act and under applicable securities laws of the states of the United States.

Dated: \_\_\_\_\_

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

In the presence of:

ACTIVE/106982147.1



NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY AND ITS TRANSFER AGENT OR (II) UNLESS PURSUANT TO RULE 144 UNDER THE SECURITIES ACT.

**LIMELIGHT NETWORKS, INC.**

**WARRANT TO PURCHASE COMMON STOCK**

Warrant No. CSW-2

Original Issue Date: April 27, 2021

Limelight Networks, Inc., a Delaware corporation (the "*Company*"), hereby certifies that, for value received, AlixPartners, LLP, or its permitted registered assigns (the "*Holder*"), is entitled to purchase from the Company up to a total of 662,800 shares of common stock, \$0.001 par value per share (the "*Common Stock*"), of the Company (each such share, a "*Warrant Share*" and all such shares, the "*Warrant Shares*") at an exercise price per share equal to \$3.72 per share (as adjusted from time to time as provided in Section 9 herein, the "*Exercise Price*"), at any time and from time to time on or after the date hereof (the "*Original Issue Date*") and through and including 8:00 P.M., New York City time, on three-year anniversary of the Original Issue Date (the "*Expiration Date*"), and subject to the following terms and conditions:

This Warrant (this "*Warrant*") is one of a series of similar warrants issued pursuant to that certain Engagement Letter, dated February 5, 2021, by and between the Company and AlixPartners, LLC, as amended on April 27, 2021 by the First Addendum to Engagement Letter 1 (the "*Engagement Letter*"). All such Warrants are referred to herein, collectively, as the "*Warrants*."

1. **Definitions.** In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Engagement Letter.
2. **Registration of Warrants.** The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "*Warrant Register*"), in the name of the record Holder (which shall include the initial Holder or, as the case may be, any registered assignee to which this Warrant is permissibly assigned hereunder) from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose

of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers. Subject to compliance with all applicable securities laws, the Company shall register the transfer of all or any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached as Schedule 3 hereto duly completed and signed, to the Company's transfer agent or to the Company at 1465 North Scottsdale Road, Suite 400 Scottsdale, Arizona 85257 and (x) in compliance with the legend affixed to the face of this Warrant and (y) delivery by the transferee of a written statement to the Company certifying that the transferee is an "accredited investor" as defined in Rule 501(a) under the Securities Act. Upon any such registration or transfer, a new warrant to purchase Common Stock in substantially the form of this Warrant (any such new warrant, a "New Warrant") evidencing the portion of this Warrant so transferred shall be issued to the transferee, and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations in respect of the New Warrant that the Holder has in respect of this Warrant. The Company shall prepare, issue and deliver at its own expense any New Warrant under this Section 3.

4. Vesting, Exercise and Duration of Warrants.

(a) No portion of this Warrant may be exercised until such portion shall have vested and become exercisable.

(b) Except as set forth below, this Warrant shall be vested and exercisable on the respective dates indicated below:

(i) This Warrant shall initially be unvested and unexercisable.

(ii) This Warrant shall vest and become exercisable in accordance with the Vesting Schedule attached hereto as Schedule 1.

(c) All or any part of this Warrant shall be exercisable by the registered Holder in any manner permitted by Section 10 of this Warrant at any time and from time to time on or after the Original Issue Date and through and including 8:00 P.M. New York City time, on the Expiration Date. At 8:00 P.M., New York City time, on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value and this Warrant shall be terminated and no longer outstanding.

(b) The Holder may exercise this Warrant by delivering to the Company (i) an exercise notice, in the form attached as Schedule 2 hereto (the "Exercise Notice"), completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised (which may take the form of a "cashless exercise" if so indicated in the Exercise Notice), and the date on which the last of such items is delivered to the Company (as determined in accordance with the notice provisions hereof) is an "Exercise Date." The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice shall have the same effect as

cancellation of the original Warrant and issuance of a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

5. Delivery of Warrant Shares.

(a) Upon exercise of this Warrant, the Company shall promptly (but in no event later than two (2) Trading Days after the Exercise Date) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder and in such name or names as the Holder may designate (provided that, if the Registration Statement is not effective and the Holder directs the Company to deliver a certificate for the Warrant Shares in a name other than that of the Holder or an Affiliate of the Holder, it shall deliver to the Company on the Exercise Date an opinion of counsel reasonably satisfactory to the Company to the effect that the issuance of such Warrant Shares in such other name may be made pursuant to an available exemption from the registration requirements of the Securities Act and all applicable state securities or blue sky laws), (i) a certificate for the Warrant Shares issuable upon such exercise, free of restrictive legends, or (ii) an electronic delivery of the Warrant Shares to the Holder's account at the Depository Trust Company ("DTC") or a similar organization, unless in the case of clause (i) and (ii) a registration statement covering the resale of the Warrant Shares and naming the Holder as a selling stockholder thereunder is not then effective or the Warrant Shares are not freely transferable without volume and manner of sale restrictions pursuant to Rule 144 under the Securities Act, in which case such Holder shall receive a certificate for the Warrant Shares issuable upon such exercise with appropriate restrictive legends. The Holder, or any Person permissibly so designated by the Holder to receive Warrant Shares, shall be deemed to have become the holder of record of such Warrant Shares as of the Exercise Date. If the Warrant Shares are to be issued free of all restrictive legends, the Company shall, upon the written request of the Holder, use its reasonable best efforts to deliver, or cause to be delivered, Warrant Shares hereunder electronically through DTC or another established clearing corporation performing similar functions, if available; provided, that, the Company may, but will not be required to, change its transfer agent if its current transfer agent cannot deliver Warrant Shares electronically through such a clearing corporation. Upon the written request of Holder, the Company shall take all action necessary for any Warrant Shares issued upon exercise of this Warrant to be, free of any restrictive legend (subject the requirements of Rule 144 under the Securities Act), including, without limitation, taking all action necessary to remove any restrictive legend on such Warrant Shares if such Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 under the Securities Act.

(b) To the extent permitted by law, the Company's obligations to issue and deliver Warrant Shares in accordance with and subject to the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance that might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit the Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses. Issuance and delivery of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; *provided, however*, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or the Warrants in a name other than that of the Holder or an Affiliate thereof. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction (in such case) and, in each case, a customary and reasonable indemnity and surety bond, if requested by the Company. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe. If a New Warrant is requested as a result of a mutilation of this Warrant, then the Holder shall deliver such mutilated Warrant to the Company as a condition precedent to the Company's obligation to issue the New Warrant.

8. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares that are initially issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (taking into account the adjustments and restrictions of Section 9). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable. The Company will take all such action as may be reasonably necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the Common Stock may be listed.

9. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides its outstanding shares of Common Stock into a larger number of shares, (iii) combines its outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of Common Stock any shares of capital of the Company, then in each such case the Exercise Price shall be multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately before such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become

effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination.

(b) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, distributes to all holders of Common Stock for no consideration (i) evidences of its indebtedness, (ii) any security (other than a distribution of Common Stock covered by the preceding paragraph) or (iii) rights or warrants to subscribe for or purchase any security, or (iv) any other cash distribution or other asset (in each case, “*Distributed Property*”), then, upon any exercise of this Warrant that occurs after the record date fixed for determination of stockholders entitled to receive such distribution, the Holder shall be entitled to receive, in addition to the Warrant Shares otherwise issuable upon such exercise (if applicable), the Distributed Property that such Holder would have been entitled to receive in respect of such number of Warrant Shares had the Holder been the record holder of such Warrant Shares immediately prior to such record date without regard to any limitation on exercise contained therein.

(c) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to paragraph (a) of this Section 9, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the increased or decreased number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(d) Calculations. All calculations under this Section 9 shall be made to the nearest cent or the nearest share, as applicable.

(e) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will, at the written request of the Holder, promptly compute such adjustment, in good faith, in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company’s transfer agent.

(h) Notice of Corporate Events. If, while this Warrant is outstanding, the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including, without limitation, any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for: (w) any merger or consolidation of the Company with or into another Person, in which the Company is not the survivor or the stockholders of the Company immediately prior to such merger or consolidation do not own, directly or indirectly, at least 50% of the voting securities of the surviving entity, (x) any sale of all or substantially all of its assets or a majority of its Common Stock is acquired by a third party, in each case, in one or a series of related transactions, (y) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which all or substantially all of the holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (z) any reclassification of the Common Stock or

any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Common Stock covered by Section 9(a) above) (in any such case, a “*Fundamental Transaction*”) or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice of such transaction at least twenty (20) calendar days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction; *provided, however*, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of its subsidiaries, the Company shall simultaneously file such notice with the U.S. Securities and Exchange Commission pursuant to a Current Report on Form 8-K.

10. Payment of Exercise Price. The Holder shall pay the Exercise Price in immediately available funds or elect, in its sole discretion, to satisfy its obligation to pay the Exercise Price through a “cashless exercise”, in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

“X” equals the number of Warrant Shares to be issued to the Holder;

“Y” equals the total number of Warrant Shares with respect to which this Warrant is being exercised;

“A” equals the average of the Closing Sale Prices of the shares of Common Stock (as reported by Bloomberg Financial Markets) for the five (5) consecutive Trading Days ending on the date immediately preceding the Exercise Date; and

“B” equals the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

For purposes of this Warrant, “*Closing Sale Price*” means, for any security as of any date, the last trade price for such security on the Principal Trading Market for such security, as reported by Bloomberg Financial Markets, or, if such Principal Trading Market begins to operate on an extended hours basis and does not designate the last trade price, then the last trade price of such security prior to 4:00 P.M., New York City time, as reported by Bloomberg Financial Markets, or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg Financial Markets, or, if no last trade price is reported for such security by Bloomberg Financial Markets, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the “pink sheets” by Pink Sheets LLC. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then the Board of Directors of the Company shall use its good faith judgment to

determine the fair market value. The Board of Directors' determination shall be binding upon all parties absent demonstrable error. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period. "Principal Trading Market" means the securities trading market on which the Company's common stock is primarily listed on and quoted for trading, which, as of the date of this Agreement is the Nasdaq Capital Market.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a "cashless exercise" transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued (provided that the Commission continues to take the position that such treatment is proper at the time of such exercise).

11. No Fractional Shares. No fractional Warrant Shares will be issued in connection with any exercise of this Warrant. In lieu of any fractional shares that would otherwise be issuable, the number of Warrant Shares to be issued shall be rounded down to the next whole number and the Company shall pay the Holder in cash the fair market value (based on the Closing Sale Price) for any such fractional shares.

12. Notices. Any and all notices or other communications or deliveries hereunder (including, without limitation, any Exercise Notice) shall be in compliance with the notice provisions set forth in Section 12 of the Engagement Letter.

13. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon thirty (30) days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

14. Holder Status. At the time such Holder was offered the Warrant Shares, it represents and warrants that it was, and at the date hereof it is, and on each date on which it exercises the Warrants Shares it will be, an "accredited investor" as defined in Rule 501(a) under the Securities Act. Holder hereby represents that neither it nor any of its Rule 506(d) Related Parties is a "bad actor" within the meaning of Rule 506(d) promulgated under the Securities Act. For purposes of this Agreement, "*Rule 506(d) Related Party*" shall mean a person or entity covered by the "Bad Actor disqualification" provision of Rule 506(d) of the Securities Act.

15. Registration. The Company meets the registration and transaction requirements for use of Form S-3 for the registration and resale of the Warrant Shares and will file a registration statement to register the Warrant Shares as soon as practicable, and no later than 120 days from the Original Issue Date. The Company shall use commercially reasonable efforts to prepare and

file with the Securities and Exchange Commission (“SEC”) such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement continuously effective and free from any material misstatement or omission to state a material fact until such time as all such Warrant Shares have been sold pursuant to a registration statement or are otherwise freely tradable.

16. Miscellaneous.

(a) No Rights as a Stockholder. The Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, amalgamation, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

(b) Authorized Shares. (i) The Company covenants that during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Principal Trading Market. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

(ii) Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate or articles of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (a) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (b) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable



Warrant Shares upon the exercise of this Warrant, and (c) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

(iii) Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(c) Successors and Assigns. Subject to compliance with applicable securities laws, this Warrant may be assigned by the Holder. This Warrant may not be assigned by the Company without the written consent of the Holder except to a successor in the event of a Fundamental Transaction. This Warrant shall be binding on and inure to the benefit of the Company and the Holder and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. This Warrant may be amended only in writing signed by the Company and the Holder, or their successors and assigns.

(d) Amendment and Waiver. Except as otherwise provided herein, the provisions of the Warrants may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holders of Warrants representing no less than a majority of the Warrant Shares obtainable upon exercise of the Warrants then outstanding.

(e) Acceptance. Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

(f) Governing Law; Jurisdiction. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. EACH OF THE COMPANY AND THE HOLDER HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN, FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HERewith OR WITH ANY TRANSACTION CONTEMPLATED HEREBY OR DISCUSSED HEREIN (INCLUDING WITH RESPECT TO THE ENFORCEMENT OF ANY OF THE TRANSACTION DOCUMENTS), AND HEREBY IRREVOCABLY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT. EACH OF THE COMPANY AND THE HOLDER HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF VIA REGISTERED OR CERTIFIED MAIL OR OVERNIGHT DELIVERY (WITH EVIDENCE OF DELIVERY) TO SUCH PERSON AT 1465 NORTH SCOTTSDALE ROAD, SUITE 400 SCOTTSDALE, ARIZONA 85257 AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO

SERVE PROCESS IN ANY MANNER PERMITTED BY LAW. EACH OF THE COMPANY AND THE HOLDER HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY.

(g) Headings. The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(h) Severability. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby, and the Company and the Holder will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

LIMELIGHT NETWORKS, INC.

By: \_\_\_\_\_

Name:

Title:

Accepted and agreed:

ALIXPARTNERS, LLP

By: \_\_\_\_\_

Name:

Title:

## SCHEDULE 1

### VESTING

1. Vesting Schedule. For purposes of this Warrant, the term “*vest*” shall mean with respect to any Warrant Share that such share is eligible to be exercised by the Holder. If Holder would become vested in any fraction of a Warrant Share on any date, such fractional share shall not vest and shall remain ineligible for exercise until Holder becomes vested in the entire share. The Warrant Shares subject to this Warrant shall vest as follows:

(a) 12.5% of the Warrant Shares shall vest on each of the following dates: June 8, 2021, September 8, 2021, December 8, 2021 and February 28, 2022, provided that Holder is still providing services to the Company under the Engagement Letter.

(b) 50% of each Warrant Shares will vest based on the following four performance-based metrics (together, “BACR”):

- Net Bookings Revenue
- Average Network Utilization Percentage
- Cost per Gigabyte
- Net Revenue Retention

Warrant Shares will automatically vest as Total BACR is approved by the steering committee formed pursuant to the Engagement Letter (the “*Steering Committee*”). Total BACR achieved between the thresholds set forth in the table below shall result in a pro-rata amount of Warrant Shares becoming vested, as calculated at the end of each of the four fiscal quarters beginning with the quarter ending June 30, 2021 and ending on the quarter ending March 31, 2022.

<u>Total BACR</u>	<u>% of Warrant Shares Vested</u>
\$0	0.0%
\$10,000,000	12.5%
\$20,000,000	25.0%
\$30,000,000	37.5%
\$40,000,000	50.0%

For example:

- If the Total BACR is \$10,000,000, 12.5% of the Warrant Shares will become vested.
- If Total BACR is \$35,000,000 43.75% of the Warrant Shares will become vested.

## 2. Certain Definitions.

**Total BACR:** “*Total BACR*” is defined as the total of the BACR from the four performance metric initiatives described herein.

**Baseline:** Each performance metric work has established a baseline (shown below), which has been agreed to by the Company

- **New Bookings Revenue Baseline:** The Baseline for this metric is \$0. Holder will get credit, dollar-for-dollar for any new bookings originated by Holder.
- **Average Network Utilization Baseline:** The Baseline for this metric is 16.2%. “*Average Network Utilization*” shall mean the total gigabytes transferred divided by the total gigabytes available to be delivered based on in-service server capacity.
- **Cost per Gigabyte Baseline:** The Baseline for this metric is \$0.0032. “Cost per Gigabyte is calculated based on the total cost of revenue line item report in the Company’s Consolidated Statements of Operations (i.e., all bandwidth and co-location fees, depreciation, payroll and related employee costs, share-based compensation and other costs) divided by the total gigabytes transferred.
- **Net Revenue Retention (NRR):** The Baseline for this metric will be the revenue associated with all clients (excluding Amazon), as defined by the Limelight’s corporate metric, as of December 31, 2020 (the “*Existing Client Baseline*”). This client listing will be used to calculate the year-over-year, last-twelve-month NRR achievement.

**BACR:** “BACR” is defined as the total projected benefit to the Company from the four performance metrics (as compared to the Baselines) as further detailed below:

- **New Bookings Revenue:** Upon signature of a new contract, Steering Committee approval, or as otherwise agreed to by the Company, Holder will earn dollar-for-dollar credit for the initial contract term (typically 12 months) of new logo revenue generated directly from an Holder referral/introduction.
  - For example: If a new two-year contract is signed for \$2M in revenue over the two years, Holder will get credit for \$2M towards the Total BACR calculation.
  - Holder will receive credit for the initial contract term for each customer, even if the period extends past the termination or expiration of this agreement.
  - Upon signing a new contract (or as otherwise agreed to by the Company), BACR will be calculated and added to Total BACR using the revenues/fees actually recognized from the referred customer from the full duration of the contract as estimated by the sales team. On a quarterly basis thereafter during Limelight’s normal financial close cycle and throughout the term of each such new contract (which may continue after the termination/expiration of this Addendum), actual revenues from each such new contract for that quarter will be

calculated. To the extent actual revenues from any such new contract for that quarter exceeds the projected revenues from that new contract for that same quarter, the difference shall be added to the Total BACR calculation.

- Average Network Utilization: For every 10 (basis points) improvement in the Baseline (as measured every quarter), Holder will get \$0.5M credit towards the Total BACR calculation
  - For example, if Average Network Utilization in the second quarter improved by 1%, Holder will get \$5M in credit toward the Total BACR calculation (100bps/10bps \* \$0.5M)
  - Average Network Utilization will be calculated by the Company at the end of each quarter throughout the term of Holder's engagement with the Company (under this First Addendum or otherwise).
  - If Average Network Utilization goes up in Quarter 1, so Holder earns Total BACR, but goes back down the next quarter, Total BACR will not be taken away from Holder but Holder will only earn additional new Total BACR to the extent that Average Network Utilization exceeds the Average Network Utilization from Quarter 1.
- Cost per Gigabyte: Holder will get credit dollar-for-dollar on Cost per Gigabyte improvements (over the Baseline), as measured every quarter, multiplied by the estimated total gigabyte volume over the next 12-month period
  - For example, if the Cost per Gigabyte improved by \$.0001 in the second quarter, with an estimated volume of 40 million gigabytes, Holder will get \$4M in credit toward the Total BACR calculation
  - Cost per Gigabyte will be calculated by the Company at the end of each quarter throughout the term of Holder's engagement with the Company (under this First Addendum or otherwise).
  - If the Cost per Gigabyte goes down in Quarter 1, so Holder earns Total BACR, but goes back up the next quarter, Total BACR will not be taken away from Holder but Holder will only earn additional new Total BACR to the extent that Cost per Gigabyte thereafter is lower than the Cost per Gigabyte from Quarter 1.
- Net Revenue Retention (NRR): Holder will get credit dollar-for-dollar on any net revenue retention as compared to the Existing Client Baseline based on a year-over-year, last-twelve-month (or four-quarter) basis. The calculation will be performed on a quarterly basis and incorporated into the Total BACR calculation.
  - For example, if the Company's revenue from the Existing Client Baseline in 1Q 2021 and 1Q 2020 were \$232M and \$218M, respectively, Holder will get credit of \$4M to be applied toward the Total BACR calculation (\$232M minus \$218M baseline)

- Net revenue retention will be measured for the earlier to occur of March 31, 2022 or the termination of Holder's engagement in accordance with the terms hereof.

### 3. Collaborative Nature and Total BACR Calculation.

(a) To maximize the value for the Company it is critical that this effort be collaborative. It is recognized that many of the improvement ideas that will be developed may be known somewhere in the Company. With the exception of the initiatives explicitly identified by the Company and agreed in writing prior to the start of the engagement to be outside the scope of this engagement, there will be no separation of Company and Holder's ideas and associated Total BACR.

(b) At the end of every quarter, initiative summaries on the four performance metrics including Total BACR calculations will be submitted to the Steering Committee for review and approval. The Steering Committee shall meet and review each such initiative summary in good faith and promptly approve the summaries. Upon approval by the Steering Committee, the BACR associated with performance metric initiative will be added to the Total BACR calculation. The Warrant Shares will automatically vest as Total BACR is approved by the Steering Committee or otherwise implemented by the Company. The Company shall process the vesting of any such Warrant Shares with the Company's transfer agent on at least a quarterly basis (following the regular Steering Committee meetings).

### 4. Termination and Acceleration.

(a) In the event the Engagement Letter is terminated by either party, Holder will have ten (10) business days to present recommended actions and BACR to the Steering Committee to be evaluated promptly in good faith to be approved and included in the Total BACR calculation.

(b) If the Engagement Letter is terminated by Holder prior to December February 28, 2022 for any reason, all of Holder's unvested Warrant Shares will be forfeited.

(c) In addition, the Company shall have a right to terminate the Engagement Letter for convenience with 15 day's prior notice to Holders. In the event of such a termination for convenience, Holders shall remain entitled to the time-based vesting of Warrant Shares and the vesting of Warrant Shares for any BACR that accrues through the date of termination. In such event, the Steering Committee shall promptly meet and use good faith efforts to calculate the vesting earned by Holders from BACR metrics through such termination date. Notwithstanding the foregoing, any such early termination shall not impact Holder's accrual of (and related vesting from) Net New Bookings, per the terms above. For clarity, if the initial term for a Net New Booking extends beyond the Warrant Expiration Date, then the Steering Committee will meet no later than 120 days prior to the Warrant Expiration Date to make a good faith estimate as to the reasonably expected revenue through the remaining period of initial term for such Net New Booking and apply such expected revenue to the BACR calculation for Net New Bookings for purposes of vesting.

(d) Acceleration. Notwithstanding anything contrary herein, immediately prior to the consummation of a Change of Control (as defined below), 50% of the then-unvested Warrant

Shares subject to time-based vesting pursuant to paragraph 1(a) above shall immediately vest, without other action taken by either party, if, prior to February 28, 2022, (i) the Company incurs a Change of Control (as defined below), and (ii) its successor does not assume this Agreement in its entirety.

As used herein, “Change of Control” will mean the occurrence of any of the following events: (a) the consummation by the Company of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; (b) the approval by the stockholders of the Company, or if stockholder approval is not required, approval by the Board, of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets; or (c) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), becoming the “beneficial owner” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company’s then outstanding voting securities.



SCHEDULE 2

FORM OF EXERCISE NOTICE

[To be executed by the Holder to purchase shares of Common Stock under the Warrant]

Ladies and Gentlemen:

(1) The undersigned is the Holder of Warrant No. \_\_\_\_\_ (the “*Warrant*”) issued by Limelight Networks, Inc., a Delaware corporation (the “*Company*”). Capitalized terms used herein and not otherwise defined herein have the respective meanings set forth in the Warrant.

(2) The undersigned hereby exercises its right to purchase \_\_\_\_\_ Warrant Shares pursuant to the Warrant.

(3) The Holder intends that payment of the Exercise Price shall be made as (check one):

Cash Exercise

“Cashless Exercise” under Section 10 of the Warrant

(4) If the Holder has elected a Cash Exercise, the Holder shall pay the sum of \$\_\_\_\_\_ in immediately available funds to the Company in accordance with the terms of the Warrant.

(5) Pursuant to this Exercise Notice, the Company shall deliver to the Holder Warrant Shares determined in accordance with the terms of the Warrant.

(6) The Holder and its Attribution Parties (as defined in the Warrant) together beneficially own an aggregate of \_\_\_\_ shares of Common Stock (as defined in the Warrant), as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934 and the applicable regulations of the Securities and Exchange Commission.

Dated: \_\_\_\_\_

Name of Holder: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Signature must conform in all respects to name of Holder as specified on the face of the Warrant)

SCHEDULE 3

FORM OF ASSIGNMENT

[To be completed and executed by the Holder only upon transfer of the Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (the “*Transferee*”) the right represented by the within Warrant to purchase \_\_\_\_\_ shares of Common Stock of Limelight Networks, Inc. (the “*Company*”) to which the within Warrant relates and appoints \_\_\_\_\_ attorney to transfer said right on the books of the Company with full power of substitution in the premises. In connection therewith, the undersigned represents, warrants, covenants and agrees to and with the Company that:

- (a) the offer and sale of the Warrant contemplated hereby is being made in compliance with Section 4(a)(1) of the United States Securities Act of 1933, as amended (the “*Securities Act*”) or another valid exemption from the registration requirements of Section 5 of the Securities Act and in compliance with all applicable securities laws of the states of the United States;
- (b) the undersigned has not offered to sell the Warrant by any form of general solicitation or general advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, and any seminar or meeting whose attendees have been invited by any general solicitation or general advertising;
- (c) the undersigned has read the Transferee’s investment letter included herewith, and to its actual knowledge, the statements made therein are true and correct; and
- (d) the undersigned understands that the Company may condition the transfer of the Warrant contemplated hereby upon the delivery to the Company by the undersigned or the Transferee, as the case may be, of a written opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that such transfer may be made without registration under the Securities Act and under applicable securities laws of the states of the United States.

Dated: \_\_\_\_\_

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

In the presence of:

ACTIVE/106982147.1

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Robert A. Lyons, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Limelight Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2021

By: \_\_\_\_\_ /s/ ROBERT A. LYONS  
 Name: **Robert A. Lyons**  
 Title: **President, Chief Executive Officer and Director  
 (Principal Executive Officer)**





