
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number **000-53620**

NEULION, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

98-0469479

(I.R.S. Employer
Identification No.)

1600 Old Country Road, Plainview, New York
(Address of Principal Executive Offices)

11803
(Zip Code)

Registrant's telephone number, including area code **(516) 622-8300**

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

Title of each class
None

Name of exchange on which registered

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

Common Stock

(Title of Class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

(Check one):

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer
(Do not check if a smaller
reporting company)

☐

Smaller reporting company

☒

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant’s most recently completed second fiscal quarter was \$37,072,758.

As of March 7, 2014, there were 170,998,761 shares of the registrant’s common stock, \$0.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant’s definitive proxy statement relating to the Annual Meeting of Stockholders, which definitive proxy statement shall be filed with the Securities and Exchange Commission (the “SEC”) within 120 days after the end of the fiscal year to which this Annual Report on Form 10-K relates.

NeuLion, Inc.

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PART I

Item 1. Business

Overview

NeuLion, Inc. (“NeuLion,” “we,” “us” or “our”) is a technology service provider that specializes in the digital video broadcasting, distribution and monetization of live and on-demand content to Internet-enabled devices. Through our cloud-based end-to-end solution, we build and manage interactive digital networks that enable our customers to provide a destination for their viewers to view and interact with their content. We were incorporated on January 14, 2000 under the Canada Business Corporations Act and were domesticated under Delaware law on November 30, 2010. Our common stock is listed on the Toronto Stock Exchange (“TSX”) under the symbol NLN.

Our core business and business model have evolved from being a provider of professional information technology services and international programming to a provider of customized, end-to-end, interactive content services for a wide range of professional and collegiate sports properties, cable networks and operators, content owners and distributors, and telecommunication companies. With a fundamental shift in the way media is now being consumed, technological advancements are affecting how, when and where consumers connect to content. Our technology enables our customers to capitalize on the growing consumer demand for viewing interactive content on multiple types of Internet-enabled devices by enabling the delivery of content to a range of these devices, such as PCs, smartphones and tablets, and by also providing NeuLion customers with a technology platform to manage their content. Our cloud-based technology platform offers a variety of digital technology and services, including content ingestion, live encoding, live video editing, advertising insertion and management, pay flow and premium content payment support, video player software development kits, multi-platform device delivery, content management, subscriber management, digital rights management, billing services, app development, website design, analytics and reporting.

Customer Relationships

Our business is comprised of three main market sectors: professional sports; college sports; and TV Everywhere. Our relationships are predominantly business-to-business (“B2B”). These relationships generally involve entering into distribution and service agreements with our customers to provide them with end-to-end solutions for the delivery of their content, by way of a custom-built digital platform, to their viewers. A B2B customer typically aggregates the content, negotiates the licensing rights and directly markets the availability of the content. This customer can avail itself of a range of our distribution and technology services to delivery its content to its end users. We also have a business-to-customer (“B2C”) sector, in which our own content is marketed directly to customers, and provide various consulting services. Effective April 1, 2012, KyLin TV was appointed the exclusive distributor of our B2C IPTV interests. “IPTV” refers to the distribution of streamed audio, video and other multimedia content over a broadband network. Our three main categories of B2B customers are described below.

Professional Sports

Through our NeuLion Sports platform, we provide our professional sports programming customers with the ability to deliver live and on-demand content. We maintain agreements with leading professional sports properties such as the National Football League (NFL), the National Hockey League (NHL), the National Basketball Association (NBA), Ultimate Fighting Championship (UFC), Major League Soccer (MLS), the American Hockey League (AHL), the Canadian Football League (CFL), the Western Hockey League (WHL), the Ontario Hockey League (OHL), and the Professional Bowlers Association (PBA).

College Sports

We provide our college partners with our NeuLion College platform, comprised of a suite of digital services that includes delivery of live and on-demand content, web publishing, electronic ticketing, donor management, e-commerce and advertising solutions. We partner with many National Collegiate Athletic Association (NCAA) schools and conferences and have agreements in place with over 175 colleges, universities or related sites, including the University of North Carolina, Duke University, the University of Oregon, Louisiana State University, Mississippi State University, Arkansas State University, the University of Nebraska, Texas A&M University, the Big 12 Conference and the Southern Conference. This past year, NeuLion added a number of new partners, including many Pac 12 member schools, the University of Oklahoma, the Ivy League Digital Network, and the University of Maryland.

TV Everywhere

NeuLion also provides a TV Everywhere platform that allows cable networks and operators, entertainment companies, content aggregators and multichannel video programming distributors (“MVPD”) to deliver their live and on-demand content to multiple devices. We have agreements with ESPN, Univision, China Network Television (a new media agency of China Central Television), Sport TV, Rogers Media, Sportsnet, Outdoor Channel, TVG Network, CBC, Zon Multimedia, the Independent Film Channel, Cablevision, MSG Varsity, Shaw Communications, the Big Ten Network, Participant Media and the Gospel Music Channel.

Services

Our technology and services are available to our customers from our cloud-based end-to-end solution and include the following options:

- interactive television video device player design and development;
- signal capture, encoding and transcoding of both live and on demand video content;
- support and management of multiple content delivery networks (CDNs), which involves real-time performance measurement of CDN providers with automated switching to different providers to ensure high-quality video for our customer's viewers;
- live video editing and tagging, which involves clipping video highlights to make them available for viewing in real time on Internet-enabled devices;
- content management, which involves preparing, scheduling and formatting various digital and analog TV signals and file-based video formats for streaming over the Internet to a range of devices;
- subscriber management, pay-per-view transaction support, advertising insertion and management, and subscriber authentication services;
- security, encryption and digital rights management, which preserves the integrity of the content and protects it from unauthorized access;
- billing services that enable our customers to manage the subscriber accounts of their viewers and also to provide pay-per-view transactions to their viewers;
- website design and hosting, as well as app design and creation;
- high-definition delivery of streamed audio, video and other multimedia content;
- game highlights, polls and alerts;
- advertising integration and substitution, which involves adding digital advertising into streamed video players;
- quality of service monitoring;
- subscriber support services;
- Internet marketing services to drive traffic to our customers' digital destinations;
- social media integration, which involves the connection of social networks such as Facebook and Twitter to online viewing experiences;
- reporting and analytics;
- user authentication services;
- online electronic ticketing and donor management;
- facilitating online merchandise sales;
- college market auction engine services (e.g., for sports memorabilia and experiences); and
- marketing and advertising sales.

We endeavor to offer our customers the technology and services they need to satisfy the demands of their viewers.

Distribution Methods

We distribute content through two primary methods:

- Internet-enabled apps and browser-based devices, including:
 - personal computers and laptops;
 - mobile devices such as the iPhone, BlackBerry and Android;
 - gaming consoles such as Sony PS3/PS4 and Xbox 360/ONE;
 - tablets such as the iPad;
 - Internet-enabled TVs such as those manufactured by Samsung, Panasonic and LG;
 - third-party set-top boxes ("STBs"), including Roku and Apple TV;
 - other Internet-enabled consumer accessories; and
- standard television sets through use of our Internet-connected STBs.

All of our distribution methods make use of IP-based networks. As a result, content delivered by NeuLion is available globally and is potentially unlimited in reach and interactive functionality.

Revenue

We earn revenue in two broad categories: services revenue and equipment revenue. Services revenue accounts for the majority of our revenue and includes set-up fees, monthly and annual fees, and variable fees. Equipment revenue includes the rental, sale and shipping of STBs to our customers and/or end users as well as computer hardware sales. Our revenue streams are described in detail under Item 7 below under the heading "OPERATIONS." The United States and Canada are the principal markets in which our sales occur.

Competition

The sizable technology investment required to deliver and monetize live and on-demand interactive content to Internet-enabled devices has created high barriers to entry into this market. Nonetheless, various types of both direct and indirect competitors present themselves across the professional sports, college sports and TV Everywhere market sectors of our business.

First, we face direct competition from the in-house technology teams of current and prospective customers that are not, at their core, technology companies. As various “point product” technology companies make their technology available in the marketplace, in-house technology teams have the option of buying, building and integrating these products. A point product is one that addresses one single problem. An “end-to-end” solution such as NeuLion provides is more comprehensive and integrated. The aggregate purchasing and programming costs of buying and integrating numerous point products can run high, and the time required for integration can delay the time to market. By contrast, our end-to-end solution solves multiple problems at once and generally offers a customer faster time to market at a lower overall cost.

Second, we are seeing increasing competition directly from software and, to a lesser extent, hardware companies that were not previously active in our markets. These technology companies are developing more and more video technology point product tools to enable companies to deliver content over the Internet themselves. Further, companies such as Elemental, Akamai and Adobe are aggressively pushing their video platform technologies into the digital video market to attempt to acquire a portion of the revenues available there.

Third, an increasing number of small online video provider competitors is focusing on only one piece of the digital video delivery process, such as content management. These types of companies often initially develop a deep expertise in one niche component of the digital video ecosystem, and we expect them to continue to increase the breadth of their offerings.

Finally, we also see indirect competition from media technology companies, such as Hulu, YouTube and Netflix, who develop their own technologies internally and then distribute and monetize the entertainment and international programming of other content owners across different devices. Our prospective customers who are content producers or aggregators (such as TV networks and studios) may elect to license and distribute their content via these types of third party platforms instead of building out their own platforms with our technology.

To distinguish our offerings from those of our competitors, we seek to offer our customers a comprehensive solution for the distribution and monetization of their content. Our key differentiator is our ability to provide a complete, integrated, end-to-end solution with a comprehensive suite of interactive digital services, whereas the far narrower point product solutions offered by many companies in our markets ultimately cost the buyer more in terms of invested capital and time to market. Our suite of technology and other services is directed at the entire spectrum of content distribution: aggregation; quality of delivery; monetization; reporting; support and maintenance; and services that support continued business growth for our customers. Further, a cornerstone of our service is our ability to design, develop and launch interactive and social end user interactive experiences more advanced than those of our competitors. Because of our deep experience in the market, and our commitment to and investment in research and development, our enterprise platform is able to accommodate the largest and smallest of clients with a variety of needs.

Customer Dependence

For the years ended December 31, 2013 and 2012, the same customer accounted for 20% and 13% of revenue, respectively. As at December 31, 2013, two customers accounted for 26% of accounts receivable: 14% and 12%, respectively. As at December 31, 2012, two customers accounted for 37% of accounts receivable: 24% and 13%, respectively. As at December 31, 2013, two customers accounted for 60% of accounts payable: 47% and 13%, respectively. As at December 31, 2012, the same two customers accounted for 53% of accounts payable: 36% and 17%, respectively.

Seasonality

Our sports content business is seasonal because demand for such programming corresponds to the seasons of the sports for which we stream content. Because the majority of our sports contracts contain a variable revenue share or usage component, our revenues are the highest during the months when the sports content is streamed live.

Regulation

Governmental and regulatory authorities in some jurisdictions in which our customers’ viewers reside or content originates may impose rules and regulations regarding content distributed over the Internet. Regulatory schemes can vary significantly from country to country. We may be subject to broadcasting or other regulations in countries in which our customers have viewers or from which live linear feeds are distributed to us, and we may not be aware of those regulations or their application to us. Further, governmental and regulatory authorities in many jurisdictions regularly review and modify their broadcasting rules and policies, including the application of those rules and policies to new and emerging media. International or governmental quality of service or other technical standards could be adopted that could impact our services.

Traditional over-the-air and cable television broadcasting businesses are generally subject to extensive government regulation and significant regulatory oversight in most jurisdictions, including many of the countries from which our customer's content originates and many of the countries into which we distribute our customers' content to their viewers. Regulations typically govern the issuance, amendment, renewal, transfer and ownership of and investment in over-the-air broadcast licenses, cable franchise licenses, competition and cross ownership and sometimes also govern the timing and content of programming, the timing, content and amount of commercial advertising and the amount of foreign versus domestically produced programming. In many jurisdictions, including the United States and Canada, there are also significant restrictions on the ability of foreign entities to own or control traditional over-the-air television broadcasting businesses. We are not aware of any regulations in any of the jurisdictions in which our customers' viewers reside that would require us to be licensed to distribute content over the public Internet.

United States and Canada

In the United States, we may fall within the statutory definition of an MVPD, making us subject to the provisions of the Communications Act of 1934, as amended, and Federal Communications Commission ("FCC") regulations applicable to MVPDs. In August 2008, the FCC sought comments regarding whether regulatory fees should be imposed on IPTV service. While the FCC has not ruled whether providers of IPTV content over the Internet are MVPDs, on March 30, 2012, in MB Docket No. 12-83, the FCC issued a notice seeking comment on whether the definition of MVPD should be expanded to include services delivered via Internet protocol, such as those delivered by us, thereby expanding the scope of the MVPD rules to possibly apply to programming our customers distribute. No action has been taken in this matter to date, so we do not consider that the statutory and regulatory requirements of MVPDs currently apply to us. This status could change upon the FCC releasing a final decision in MB Docket No. 12-83. If we were found to be an MVPD, we may be required to: scramble any sexually explicit programming our customers distributed (currently, our customers do not distribute any such programming); provide "closed caption" for programs offered to viewers; comply with certain FCC advertising regulations (including advertising loudness rules, which may require report filing and investment in monitoring hardware and software); face possible exposure to state and local franchise registration or regulation; and comply with the FCC's equal employment opportunity rules. We generally would not be required to secure approval to deliver IPTV content over the public Internet to viewers residing in the United States.

On January 14, 2014, the D.C. Circuit Court of Appeals struck down the net neutrality rules adopted by the FCC, determining that the FCC did not have the authority to issue or enforce net neutrality rules, as it had failed to identify certain service providers as "common carriers." While the FCC could re-define the application of the definition of common carrier and re-institute net neutrality rules, it has not done so. Several bills re-instituting net neutrality have been proposed in Congress, but none have passed. AT&T has filed several patent applications for methods to take advantage of the dissolution of the net neutrality rules, and complaints have begun to mount that certain carriers are slowing access to various third party on-line and cloud services. Unless either Congress or the FCC addresses the scope of its authority, it is possible that broadband service providers could impose restrictions on bandwidth and service delivery that may adversely impact our download speeds or our customers' ability to deliver content over those facilities, or impose significant end user or other fees that could impact.

In Canada, the Canadian Radio-television and Telecommunications Commission ("CRTC"), an independent public administrative tribunal, exercises regulatory jurisdiction over the provision of broadcasting and telecommunications services in Canada, pursuant to the *Broadcasting Act* (Canada) (the "Act") and the *Telecommunications Act* (Canada), respectively. Our activities are affected primarily by the provisions of the Act. The Commission's statutory jurisdiction is strictly limited to that set out in its governing legislation. For purposes of broadcasting, that jurisdiction is set out in the Act and the regulations made under the Act. In exercising its jurisdiction over broadcasting, the CRTC is required to act in accordance with the objectives of the broadcasting policy and regulatory policy set out in the Act. In October 2009, the CRTC issued Broadcasting Order CRTC 2009-660, reaffirming its previous determination to exempt from licensing (and other requirements under the Act) all "new media broadcasting undertakings" (NMBUs), defined as an undertaking that "provides broadcasting services that are: a. delivered and accessed over the Internet; or b. delivered using point-to-point technology and received by way of mobile devices." Any undertaking operating pursuant to this "New Media Exemption Order" is exempted from the requirement under the Act to obtain a license from the CRTC before carrying on a broadcasting undertaking. Moreover, the Exemption Order does not contain any conditions with respect to compliance with the Canadian ownership and control rules governing undertakings carrying on broadcasting in Canada.

Under the New Media Exemption Order, a NMBU must comply with two conditions to continue to fall under the scope of the Exemption Order. The first condition requires the undertaking to submit such information regarding its activities in broadcasting in digital media, and such other information that is required by the Commission in order to monitor the development of broadcasting in digital media, at such time and in such form, as requested by the Commission from time to time. This condition does not apply to our activities in Canada, although the CRTC indicated in Broadcasting Regulatory Policy CRTC 2010-582 that it may decide to extend these requirements to companies like ours.

The second condition is an anti-discrimination rule prohibiting granting any person an “undue preference” or subjecting any person to an “undue disadvantage” in connection with the provision of access to a NMBU’s platforms and customer base. The scope of the undue preference rule was considered by the CRTC in 2010 (Broadcasting Notice of Consultation CRTC 2010-783).

Subsequently, the CRTC set out its regulatory framework for vertical integration in Broadcasting Regulatory Policy CRTC 2011-601 and implemented that framework through amendments to various regulations (Broadcasting Regulatory Policy CRTC 2012-407) and through amendments to the New Media Exemption Order (see Broadcasting Order CRTC 2012-409). Pursuant to the vertical integration framework, the CRTC has established a code of conduct for commercial arrangements and interactions between broadcasting distribution undertakings (“BDUs”), programming undertakings and NMBUs. Because the continued exemption of NMBUs from regulation is conditional on compliance with the above-noted undue preference prohibition, our customers may have to abandon or change business practices in Canada if the CRTC deems them to be “unduly preferential.” If this content is obtainable from other providers on more attractive terms, our customers could lose these subscribers, which could negatively impact our results of operations. The CRTC is currently considering the scope of this anti-discrimination rule.

The CRTC has amended the New Media Exemption Order for new media and other various regulations to implement the safeguards established under the vertical integration framework. In Broadcasting Regulatory Policy CRTC 2012-407, the CRTC extended the vertical integration rules to all newly launched pay and specialty programming services. Moreover, in Broadcasting Order CRTC 2012-409, the CRTC determined that the regulatory safeguards under the vertical integration framework (prohibitions on exclusivity of content, anti-competitive head starts and dispute resolution) would be applicable to the distribution of programming on mobile and retail Internet platforms. The CRTC prohibits the offering of programming that is dependent upon subscription to a particular mobile or retail Internet access service, and the extension of exclusive programming except under limited circumstances. The CRTC also amended the New Media Exemption Order to include programming not previously distributed in Canada under the “no head start” rule. The term “head start” refers to situations where a programming service is launched on a given BDU’s distribution platform prior to the service having been made available for distribution to other BDUs on commercially reasonable terms. The no head start rule requires availability through alternate entities at the same time that a limited program is released. The CRTC has also adopted a rule that in the event of a dispute, programming must be supplied while the dispute is pending. All of these changes may have an impact on our operations and may cause us to make changes in the manner in which we deliver programming to our customers.

Our customers rely on the New Media Exemption Order (renamed the Digital Media Exemption Order by the CRTC in Broadcasting Order CRTC 2012-409) to operate as NMBUs free from Canadian licensing and Canadian ownership and control requirements. The CRTC’s exemption determination will likely be subject to review by late 2014 or early 2015, or at such time as events dictate. If the CRTC decides, upon review, to rescind or limit the scope of the New Media Exemption Order, our customers could become subject to licensing or other regulatory requirements under the Act and regulations made under the Act, which could harm our ability to conduct business in Canada.

Citing rapid technological developments, the CRTC issued Notice of Consultation 2011-344 (“Consultation 2011-344”), asking for broad public commentary on developments in “new media” and “over-the-top” (“OTT”) programming. OTT programming is programming that is delivered via the Internet and that can be accessed without a subscription to a BDU. The Commission considers that Internet access to programming independent of a facility or network dedicated to its delivery (via, for example, cable or satellite) is the defining feature of what have been termed OTT services. Consultation 2011-344 was issued partially in response to the urging of the “Over-the-Top Services Working Group” (a coalition of private sector executives from the distribution, telecommunications, broadcasting, production and creative sectors in Canada) who asked the CRTC to note the growing role for foreign OTT services in Canada. The working group asked the CRTC to initiate a public consultation to investigate whether and how non-Canadian companies should support Canadian cultural programming, as recommended by a Canadian Parliamentary Committee on Canadian Heritage. In Consultation 2011-344, the CRTC also stated that it has been monitoring the development of broadcasting in new media, adding that OTT programming accessed over the Internet is increasingly available to consumers at attractive price points.

In October 2011, the CRTC issued its “Results of the fact-finding exercise on over-the-top programming services.” The CRTC found that the evidence did not demonstrate “that the presence of OTT providers in Canada and greater consumption of OTT content is having a negative impact on the ability of the system to achieve the policy objectives of the Broadcasting Act or that there are structural impediments to a competitive response by licensed undertakings to the activities of OTT providers.” Subsequently, in April 2012, the CRTC issued a written determination that OTT services “have not had an impact sufficient to warrant another fact-finding exercise at this time.” However, the CRTC will continue to “closely monitor OTT services in the context of the evolving Canadian communications landscape.”

Our operations are also affected by CRTC rules adopted under the *Telecommunications Act* (Canada) that prevent Internet access providers from discriminating against traffic transmitted to and from end users under the Internet Traffic Management Practice (“ITMP”) regulatory framework issued in Telecom Regulatory Policy CRTC 2009-657. The ITMP framework regulates how Internet access providers handle traffic on the public Internet. The ITMP framework prohibits content-blocking; requires detailed prior public notice (followed by a 30-day warning period) before any retail traffic-shaping measures are implemented; and prohibits traffic-shaping that does not address a justifiable purpose in a manner that is narrowly tailored, minimizes harm, and could not have been reasonably avoided through network investment or economic approaches. These limitations could have an impact on the content delivered to our Canadian customers.

United Kingdom

The United Kingdom Office of Communications (“Ofcom”) implemented regulations in 2010 dealing with On-Demand Programme Services (“ODPS”). It adopted a co-regulatory structure with The Authority for Television On Demand (“ATVOD”) having primary responsibility over content issues and the Advertising Standards Association regulating advertising on ODPS. Ofcom amended its designation of ATVOD in September 2012 confirming its designation of ATVOD as an entity permitted to collect regulatory fees and charged with implementing and enforcing advertising, content (including “European Works”) and other regulations. Ofcom has backstop powers to regulate both content and advertising on such services. ATVOD has issued guidance on what on-demand services fall within its regulatory scope. Ofcom has clarified that its regulations are meant to provide equal regulatory treatment of linear and on-demand video services. In reviews of ATVOD decisions Ofcom has determined that an on-demand service is an ODPS subject to ATVOD regulation when “its principal purpose is the provision of programmes the form and content of which are comparable to the form and content of programmes normally included in television programme services.” Fee-based programs that are the length of comparable linear television programs and which also appear on linear television are more likely to fall within the regulatory regime. Service providers caught by this regulatory regime for ODPS have to register their service with ATVOD, pay a license fee and conform to the regulations. ATVOD has set the license fees to be paid in 2013-2014. Other European Union member states have implemented different regulatory structures to deal with video-on-demand (“VOD”) services under their jurisdiction. While challenges to the regulatory scope of ATVOD have often been upheld by Ofcom, ATVOD’s jurisdiction over “TV-like” services may be expanded to ensure a level playing field over alternative “TV-like” services. We continue to believe that our services do not currently meet the definition of an ODPS or otherwise fall within the jurisdiction of Ofcom and ATVOD. Moreover, as we believe that we are not currently established in the UK or any other European Union member state for the purposes of the directive, we believe that neither our streamed nor our on-demand video services will be regulated within the European Union.

European Union

An update to the European Union “Audiovisual Media Services Directive” was adopted on April 15, 2010. This amendment expanded the original directive to cover all non-linear VOD services, such as IPTV service providers and content, including subscription-based IPTV content that is distributed over the public Internet in the United Kingdom and to other European Union member states, and subjected these to certain regulatory requirements. A streamed IPTV service could be subject to regulation as a broadcast service in certain situations. Under the directive, whether a broadcast or on-demand service, it will be regulated in the member state in which the service provider is established (for example, where it has its head office and editorial control is exercised), and may be subject to any stricter rules of the target country, particularly in instances of “unsuitable content.” The directive also requires broadcasters to reserve a majority of time for “European works,” and places European work support requirements on on-demand providers. “European works,” as defined in the European Convention on Transfrontier Television of the Council of Europe, are works that are produced both in a European country (by both member states of the European Union and state parties to such Convention) and “within the framework of bilateral production treaties” between member states and non-member countries when the majority share of the production, cost and control of the production is provided by persons (and entities) that are citizens of a member state, and where the non-member state has not imposed discriminatory conditions. Editorial transparency rules have been extended to VOD providers, as have rules protecting children from certain content and advertising. Only the basic tier of regulations otherwise apply to VOD providers, with the more extensive regulations applying only to broadcasters. Again, as we believe that we are not currently established in the UK or any other European Union member state for the purposes of the directive, neither our streamed nor our on-demand video services should be regulated within the European Union. On April 24, 2013, the European Commission issued a Green Paper seeking consultation on the current state of media delivery and regulation, with the Consultation closing on September 30, 2013. No regulatory actions have been proposed but the European Commission reserves the right to propose regulatory or self-regulatory actions in response to the consultation.

International Telecommunications Union (“ITU”)

The ITU is the United Nations agency for information and communication technologies. It allocates global radio spectrum and satellite orbits, and develops the technical standards for the interconnection of networks and technologies. Some members of the ITU have initiated a review of international treaties governing use and regulation of the Internet, including proposals that could lead to granting new regulatory and fee-based rights to individual countries, challenging the current open nature of the Internet. If adopted, these directives could be used to restrict access to IPTV or subject it to additional fees. It is too soon to determine the direction of these efforts.

The ITU has also undertaken the drafting and adoption of global standards for IPTV. In January of 2008 the IPTV Focus Group (established by the ITU to coordinate the recommendations of various study groups reviewing IPTV standards, and promote the development of unified global IPTV standards) completed its recommendations regarding the IPTV Global Standards Initiative and transmitted its recommendations to the umbrella Global Standards Initiative (the IPTV-GSI). The purpose of the IPTV-GSI is to organize events for the development of IPTV standards that may be adopted by the ITU. As part of the establishment of the IPTV-GSI, the Telecommunication Standardization Advisory Group (which is principally responsible for the development of telecommunications standards) confirmed the mandate for and expanded the membership of the IPTV-JCA (Joint Coordination Activities), which is charged with the continued development of global IPTV standards and coordination of various study groups. The membership is being extended to include other standards organizations involved with the ITU-T in the IPTV work stemming from the results of the IPTV Focus Group. An IPTV-GSI Technical and Strategic Review (TSR) process has been set up which will operate at every IPTV-GSI event and will bring to the IPTV-JCA any issues requiring guidance or recommendations for action parent group for the development of draft recommendations. While the work of these study groups and the IPTV-GSI focus primarily on technical and quality delivery and measurement standards, the adoption of standards could have an impact on our operations in various countries.

Other International Laws and Regulations

Any future or proposed regulatory initiatives regulating IPTV content in any of the jurisdictions in which our customers' viewers reside may require us to modify or block content in particular jurisdictions in order to continue distributing content in those jurisdictions, or to minimize the potential negative impact of distribution on our operations.

Our business may also be adversely affected by foreign import, export and currency regulations and global economic conditions. Our current and future development opportunities partly relate to geographical areas outside of the United States and Canada. There are a number of risks inherent in international business activities, including:

- government policies concerning the import and export of goods and services;
- potentially adverse tax consequences;
- limits on repatriation of earnings;
- the burdens of complying with a wide variety of foreign laws;
- nationalization; and
- potential social, labor, political and economic instability.

We cannot assure you that such risks will not adversely affect our business, financial condition and results of operations.

Furthermore, a portion of our expenditures and revenues will be in currencies other than the U.S. dollar. Our foreign exchange exposure may vary over time with changes in the geographic mix of our business activities. Foreign currencies may be unfavorably impacted by global developments, country-specific events and many other factors. As a result, our future results may be adversely affected by significant foreign exchange fluctuations.

Employees

As of March 10, 2014, we had 453 total employees, 252 of whom were full-time employees.

Executive Officers

The following sets forth information regarding our executive officers. The term of each officer is for one year or until a successor is elected. Officers are normally elected annually.

Name and Age	Office	Term as Officer
Nancy Li, 56	President and Chief Executive Officer	2008 - present
G. Scott Paterson, 50	Vice Chairman	2008 - present
	Chairman	2002 - 2008
	Chief Executive Officer	2005 - 2007 and 2008
Arthur J. McCarthy, 57	Chief Financial Officer	2008 - present
Roy E. Reichbach, 51	General Counsel and Corporate Secretary	2008 - present
Horngwei (Michael) Her, 50	Executive Vice President, Research and Development	2008 - present
Ronald Nunn, 61	Executive Vice President, Business Operations	2008 - present
J. Christopher Wagner, 54	Executive Vice President, Marketplace Strategy	2008 - present

Nancy Li has been our President and Chief Executive Officer since October 2008. She is the founder of NeuLion USA, Inc. ("NeuLion USA"), our wholly-owned subsidiary, and has been its Chief Executive Officer since its inception in 2003. From 2001 to 2003, Ms. Li established and ran iCan SP, a provider of end-to-end service management software for information technology operations and a wholly-owned subsidiary of CA Inc., which was formerly known as Computer Associates International, Inc. ("Computer Associates"). From 1990 to 2001, Ms. Li was Executive Vice President and Chief Technology Officer for Computer Associates, and prior to that held a variety of management positions covering virtually every facet of Computer Associates' business from a development and engineering perspective. Ms. Li holds a Bachelor of Science degree from New York University. Ms. Li is married to Charles B. Wang, the chairman of our Board of Directors.

G. Scott Paterson has been our Vice Chairman since October 2008. Prior to his current position, Mr. Paterson was our Chairman from January 2002 until October 2008 and Chief Executive Officer from May 2005 until October 2007 and again from June 2008 until October 2008. Mr. Paterson is a Director, Chairman of the Audit Committee and a member of the Strategic Committee of Lions Gate Entertainment (NYSE:LGF). Mr. Paterson is also Chairman of Symbility Solutions Inc., formerly Automated Benefits Corp (TSX:SY (formerly TSX:AUT)). He is also the Chairman of the Merry Go Round Children's Foundation and a Governor of Ridley College. From October 1998 until December 2001, Mr. Paterson was Chairman and CEO of Yorkton Securities Inc., which under his leadership became Canada's leading technology investment bank. Mr. Paterson has served in the past as Chairman of the Canadian Venture Stock Exchange and as Vice Chairman of the TSX. Mr. Paterson is a graduate of Ridley College and earned a Bachelor of Arts (Economics) degree from the University of Western Ontario. In 2009, Mr. Paterson obtained the ICD.D designation by graduating from the Rotman Institute of Corporate Directors at the University of Toronto.

Arthur J. McCarthy has been our Chief Financial Officer since November 2008. Mr. McCarthy is also an Alternate Governor of the New York Islanders Hockey Club, L.P. (“New York Islanders”) on the National Hockey League (“NHL”) Board of Governors. From 1985 until November 2008, Mr. McCarthy was the Senior Vice President and Chief Financial Officer of the New York Islanders and was responsible for the financial affairs of the club and its affiliated companies. From 1977 to 1985, Mr. McCarthy was a member of the Audit Practice of KPMG Peat Marwick, reaching the position of Senior Manager. Mr. McCarthy was licensed in the State of New York as a Certified Public Accountant in 1980 and holds a Bachelor of Science degree from Long Island University – C.W. Post College.

Roy E. Reichbach has been our General Counsel and Corporate Secretary since October 2008 and has been the General Counsel and Corporate Secretary of NeuLion USA since 2003. Mr. Reichbach is also an Alternate Governor of the New York Islanders on the NHL Board of Governors. From 2000 until October 2008, Mr. Reichbach was the General Counsel of the New York Islanders and was responsible for the legal affairs of the club and its affiliated real estate companies. From 1994 until 2000, Mr. Reichbach was Vice President – Legal at Computer Associates. Prior to that, he was a trial lawyer in private practice. Mr. Reichbach holds a Bachelor of Arts degree from Fordham University and a Juris Doctorate degree from Fordham Law School. He has been admitted to practice law since 1988.

Horngwei (Michael) Her has been our Executive Vice President, Research and Development since October 2008 and the Executive Vice President of Research and Development of NeuLion USA since January 2004. From 2000 to 2003, Mr. Her ran the development team for iCan SP. Prior to that, Mr. Her served as Senior Vice President for Research & Development at Computer Associates. He is also the co-inventor of several computer systems patents. Mr. Her holds a college degree from Taipei Teaching College and a Master of Computer Science degree from the New York Institute of Technology.

Ronald Nunn has been our Executive Vice President, Business Operations since October 2008 and the Executive Vice President of Business Operations of NeuLion USA since January 2004. From 2000 to 2003, Mr. Nunn was in charge of business operations at iCan SP. Between 1987 and 2000, Mr. Nunn held a number of senior management positions at Computer Associates. From 1982 to 1987, Mr. Nunn directed certain research and development and operating projects with UCCEL (formerly University Computing Company).

J. Christopher Wagner has been our Executive Vice President, Marketplace Strategy since November 2010 and the Executive Vice President of Marketplace Strategy of NeuLion USA since February 2004. Mr. Wagner was our Executive Vice President of Sales from October 2008 until November 2010. From 2000 to 2003, Mr. Wagner worked as the Chief Executive Officer and member of the Board of Directors of several private equity and venture capital firms, including Metiom, MetaMatrix, Exchange Applications and Digital Harbor. From 1984 to 2000, Mr. Wagner held several positions at Computer Associates, culminating in his becoming Executive Vice President and General Manager of Services, responsible for building that company’s Government Partner Program and Global Consulting Business. Mr. Wagner received a Bachelor of Science degree from the University of Delaware.

Item 1A. Risk Factors

An investment in our common stock is highly speculative and involves a high degree of risk. The following are specific and general risks that could affect us. If any of the circumstances described in these risk factors actually occurs, or if additional risks and uncertainties not presently known to us or that we do not currently believe to be material in fact occur, our business, financial condition or results of operations could be harmed or otherwise negatively affected. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment. In addition to carefully considering the risks described below, together with the other information contained in this Annual Report on Form 10-K, you should also consider the risks described under the caption “Regulation” in Item 1 hereof, which risk factors are incorporated by reference into this Item 1A. In addition, these factors represent risks and uncertainties that could cause actual results to differ materially from those implied by forward-looking statements contained in this Annual Report on Form 10-K.

We may need additional capital to fund continued growth, which may not be available on acceptable terms or at all, and could result in our business plan being limited and our business being harmed.

Our ability to increase revenue will depend in part on our ability to continue growing the business and acquiring new customers, which may require significant additional capital that may not be available to us. We may need additional financing due to future developments, changes in our business plan or failure of our current business plan to succeed, which could result from increased marketing, distribution or programming costs. Our actual funding requirements could vary materially from our current estimates. If additional financing is needed, we may not be able to raise sufficient funds on favorable terms or at all. If we issue common stock, or securities convertible into common stock, in the future, such issuance will result in the then-existing stockholders sustaining dilution to their relative proportion of our outstanding equity. If we fail to obtain any necessary financing on a timely basis, then our ability to execute our current business plan may be limited, and our business, liquidity and financial condition could be harmed.

We are a small enterprise with a short operating history, which makes it difficult to evaluate our prospects.

We are still building out our current business. In 2006, our core business model evolved from providing professional information technology services and international programming to providing customized, end-to-end, interactive content services for a wide range of professional and collegiate sports properties, cable networks and operators, content owners and distributors, and telecommunication companies. From our inception, we have incurred substantial net losses. We expend significant funds on research and development, maintaining adequate video-streaming and database software, and the construction and maintenance of our delivery infrastructure and office facilities. Although our non-GAAP Adjusted EBITDA losses (as defined in Item 7) have continuously improved year-over-year and management expects this trend to continue, many of the expenses, problems and delays encountered by an enterprise such as ours may be beyond our control. If we are ultimately unable to generate sufficient revenue to become profitable and have sustainable net positive cash flows, our investors could lose some or all of their investment.

We may also encounter certain problems or delays in building our business, including those related to:

- regulatory policies and compliance;
- costs and expenses that exceed current estimates;
- financing needs; and
- the construction, integration, testing or upgrading of our distribution infrastructure and other systems.

Delays in the timely design, construction, deployment and commercial operation of our business, and consequently the achievement of positive cash flow, could result from a variety of causes, many of which are beyond our control. Substantial delays in any of these matters could delay or prevent us from achieving profitable operations.

The costs of network access may rise, which could negatively impact our profitability.

We rely on Internet providers for our principal connections and network access to stream audio and video content to our customers' viewers. As demand for streamed media continues to increase, we cannot assure you that Internet providers will continue to price their network access services on reasonable terms. The distribution of streaming media requires distribution of large content files and providers of network access may change their business model and increase their prices significantly. In order for our distribution services to be successful, there must be a reasonable price model in place to allow for the continuous distribution of large streaming media files. To the extent that Internet providers implement usage-based pricing, institute bandwidth caps, or otherwise try to monetize access to their networks by data providers, we could incur greater operating expenses.

If Internet providers engage in discriminatory practices against certain types of traffic on their networks, our business could be negatively affected.

The decision of a United States Court of Appeals, on January 14, 2014, that the Federal Communications Commission acted outside of its authority when it adopted the so-called net neutrality rules (intended, in part, to prevent network operators from discriminating against legal traffic that transverse their networks) may result in Internet providers discriminating against certain types of traffic on their networks and/or favoring other types of traffic that pay for the privilege of being in the favored category. If such discriminatory pricing were put into place, our costs could increase (because our customers decided to pay to be included in the favored category or providers), or the viewership of our customers' content could decline (due to a decline in the speed with which our customers' content was streamed to viewers). Within such a regulatory environment, coupled with the significant political and economic power of Internet providers, our customers could experience discriminatory or anti-competitive practices that could impede their growth, which could negatively impact our profitability or otherwise negatively affect our business.

Our reputation and relationships with customers would be harmed if their subscribers' data, particularly billing data, were to be accessed by unauthorized persons.

We maintain personal data regarding our customers' subscribers, including names and, in many cases, mailing addresses, and we take measures to protect against unauthorized access to subscriber data. If, despite these measures, we experience any unauthorized access of subscriber data, customers may elect to not continue to work with us, we could face legal claims, and our business could be adversely affected. Similarly, recent well-publicized cases of unauthorized access to consumer data could lead to general public loss of confidence in the use of the Internet for commerce transactions, which could adversely affect our business.

Demand for the content our customers offer may be insufficient for us to achieve and sustain profitability.

One of our objectives is to offer programming that sustains loyal audiences in or across various demographic groups. The attractiveness of our customers' content offerings and ability to retain and grow the audiences for their programs will be an important factor in their ability to sell subscriptions and will depend, among other things, upon:

- whether they offer, market and distribute high-quality programming consistent with subscribers' tastes;
- the marketing and pricing strategies that they employ relative to those of their competitors; and
- subscribers' willingness to pay pay-per-view or subscription fees to access our customers' content.

Their content offerings may not attract or retain the anticipated number of subscribers and some content may offend or alienate subscribers that are outside of the target audience for that content. Our results of operations will depend in part upon our ability and that of our customers to increase their subscriber bases while maintaining their preferred pricing strategies, managing costs and controlling subscriber turnover rates.

We may have difficulty, and incur substantial costs, in scaling and adapting our existing systems architecture to accommodate increased traffic, technology advances or customer requirements.

Our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services to evolving industry standards and to improve the performance and reliability of our services. The IPTV industry, the Internet and the video entertainment industries in general are characterized by rapid technological change, frequent new product innovations, changes in customer requirements and expectations and evolving industry standards. We cannot assure you that one or more of the technologies we use will not become obsolete or that our services will be in demand at the time they are offered. If we or our customers are unable to keep pace with technological and industry changes, our business may be unsuccessful.

In the future, we may be required to make changes to our systems architecture or move to a completely new architecture. To the extent that demand for our services, content and other media offerings increases, we will need to expand our infrastructure, including the capacity of our hardware servers and the sophistication of our software. If we are required to switch architectures, we may incur substantial costs and experience delays or interruptions in our service. These delays or interruptions in our service may cause customers and their viewers to become dissatisfied and move to competing providers of IPTV services. An unanticipated loss of traffic, increased costs, inefficiencies or failures to adapt to new technologies or user requirements and the associated adjustments to our systems architecture could harm our operating results and financial condition.

In addition, we intend to introduce new services and/or functionalities to increase our customers' subscriber bases and long-term profitability, such as targeted advertising insertion and personal video recording. These services are dependent on successful integration of new technologies into our distribution infrastructure.

We depend on third parties to develop technologies used in key elements of our IPTV services. More advanced technologies that we may wish to use may not be available to us on reasonable terms or in a timely manner. Further, our competitors may have access to technologies not available to us, which may enable these competitors to offer products of greater interest to consumers or at more competitive costs.

Our business depends on the continued growth and maintenance of the Internet infrastructure.

The success and the availability of Internet-based products and services depends in part upon the continued growth and maintenance of the Internet infrastructure itself, including its protocols, architecture, network backbone, data capacity and security. Spam, viruses, worms, spyware, denial of service or other attacks by hackers and other acts of malice may affect not only the Internet's speed, reliability and availability but also its continued desirability as a vehicle for commerce, information and user engagement. If the Internet proves unable to meet the new threats and increased demands placed upon it, our business plans, user and advertiser relationships, site traffic and revenues could be harmed.

We may be unable to manage rapidly expanding operations.

We are continuing to grow and diversify our business both domestically and internationally. As a result, we will need to expand and adapt our operational infrastructure. To manage growth effectively, we must, among other things, continue to develop our internal and external sales forces, our distribution infrastructure capability, our customer and subscriber service operations and our information systems, maintain our relationships with our customers, effectively enter new areas of the sports and other programming markets and effectively manage the demands of day-to-day operations in new areas while attempting to execute our business strategy and realize the projected growth and revenue targets developed by our management. We will also need to continue to expand, train and manage our employee base, and our management must assume even greater levels of responsibility. If we are unable to manage growth effectively, we may experience a decrease in customer growth and an increase in customer turnover, which could negatively impact our financial condition, profitability and cash flows.

Acquisitions and strategic investments could adversely affect our operations and result in unanticipated liabilities.

We may in the future acquire or make strategic investments in a number of companies, including through joint ventures. Such transactions may result in dilutive issuances of equity securities, use of our cash resources, incurrence of debt and amortization of expenses related to intangible assets. Any such acquisitions and strategic investments would be accompanied by a number of risks, including:

- the difficulty of assimilating operations and personnel of acquired companies into our operations;
- the potential disruption of ongoing business and distraction of management;
- additional operating losses and expenses of the businesses acquired or in which we invest;
- the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;
- the potential for patent and trademark infringement claims against the acquired company;
- the impairment of relationships with customers of the companies we acquired or with our customers as a result of the integration of acquired operations;
- the impairment of relationships with employees of the acquired companies or our employees as a result of integration of new management personnel;
- the difficulty of integrating the acquired company's accounting, management information, human resources and other administrative systems;
- in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems and operational differences; and
- the impact of known potential liabilities or unknown liabilities associated with the companies we acquire or in which we invest.

Our failure to address or mitigate such risks in connection with future acquisitions and strategic investments could prevent us from realizing the anticipated benefits of such acquisitions or investments, causing us to incur unanticipated liabilities and harming our business generally.

We could suffer failures or damage due to events that are beyond our control, which could harm our brand and operating results.

Our success as a business depends, in part, on our ability to provide consistently high-quality video streams to our customers' viewers through our infrastructure and IPTV technology on a consistent basis. Our infrastructure is susceptible to natural or man-made disasters such as hurricanes, earthquakes, floods, fires, power loss and sabotage, as well as interruptions from technology malfunctions, computer viruses and hacker attacks. Other potential service interruptions may result from unanticipated demands on network infrastructure, increased traffic or problems in customer service. Significant disruptions in our infrastructure would likely affect the quality and continuity of our service, could harm our goodwill and the NeuLion brand and ultimately could significantly and negatively impact the amount of revenue we may earn from our service. We may not carry sufficient business interruption insurance to compensate for losses that could occur as a result of an interruption in our services.

Anything that negatively impacts our customers' businesses could harm our business as well.

The success of our business depends significantly on our relationships with our customers. We enter into distribution and service agreements to distribute content. Our realization of our business goals depends in part on the cooperation, good faith, programming and overall success of our customers. Because of our dependency on our customers, should a customer's business suffer as a result of increased competition, increased costs of programming, technological problems, regulatory changes, adverse effects of litigation or other factors, our business may suffer as well. Financial difficulties experienced by our customers, such as bankruptcy, insolvency, liquidation or winding up of daily operations, could also have negative consequences on our business. A failure by one of our customers to perform its obligations under its agreement could have detrimental financial consequences for our business. The agreements are for various terms and have varying provisions regarding renewal or extension. If we are unable to renew or extend these agreements at the conclusion of their respective terms, our business and results of operations could be harmed.

Our customers may be required to abandon or change business practices in Canada if the regulator deems them to be unduly preferential.

Because the CRTC conditions its exemption from regulation of NMBUs on compliance with the anti-discrimination rule prohibiting the exercise of an "undue preference," our customers may have to abandon or change business practices in Canada if the CRTC deems them to be "unduly preferential." If this content is obtainable from other providers on more attractive terms, our customers could lose these subscribers, which could negatively impact our results of operations. The CRTC oversees the scope of this anti-discrimination rule on an ongoing basis primarily through the complaints and dispute resolution process (and to the extent that it announces a policy proceeding to examine the framework from time to time).

We may cease to be exempted from the requirements of the *Broadcasting Act* (Canada).

Toward the end of 2013, the CRTC began seeking the views of the public concerning the future direction of Canada's television regulatory framework. The views that are being sought pertain to programming content, technology use and the extent of informed choices in viewing. Therefore, there is a small chance that the tensions between traditional business models that have been pervasive in the television industry and new media development will be resolved in a manner that is less favorable to our business. This might particularly be the case if the CRTC decides to introduce regulation of NMBUs to require them to produce, acquire or exhibit domestic Canadian content programming.

As mentioned, our customers rely on the CRTC's New Media Exemption Order and the exemption it provides for Internet-based "new media" from Canadian licensing and Canadian ownership and control requirements. The exemption allows them to attract and serve Canadian subscribers without being subject to such requirements. The CRTC's exemption determination will likely be subject to review by late 2014 or early 2015, or at such time as events dictate. If the CRTC decides, upon review, to rescind or limit the scope of the New Media Exemption Order, our customers could become subject to licensing or other regulatory requirements under the Act and regulations made under the Act, which could harm our ability to conduct business in Canada.

Our business may be impaired by third-party intellectual property rights in the programming content of our customers.

We are exposed to liability risk in respect of the content that our customers distribute over the Internet, relating to both infringement of third-party rights to the content and infringement of the laws of various jurisdictions governing the type and/or nature of the content. We rely in large part on our customers' obligations under our agreements to ensure intellectual property rights compliance globally, including securing the primary rights to distribute programming and other content over the Internet, and to advise us of any potential or actual infringement so that we may take appropriate action if such content is not intellectual property rights-compliant or is otherwise obscene, defamatory or indecent. In the event that our partners are in breach of the rights related to specific programming and other content, they may be required to cease distributing or marketing the relevant content to prevent any infringement of related rights, and may be subject to claims of damages for infringement of such rights.

We may be subject to other third-party intellectual property rights claims.

Companies in the Internet, technology and media industries often own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition, the possibility of intellectual property rights claims against us grows. Our technologies may not be able to withstand third-party claims or rights against their use. Intellectual property claims, whether having merit or otherwise, could be time-consuming and expensive to litigate or settle and could divert management resources and attention. In addition, many of our agreements with network service providers require us to indemnify these providers for third-party intellectual property infringement claims, which could increase our costs as a result of defending such claims and may require that we pay the network service providers' damages if there were an adverse ruling in any such claims.

If litigation is successfully brought by a third party against us in respect of intellectual property, we may be required to cease distributing or marketing certain products or services, obtain licenses from the holders of the intellectual property at material cost, redesign affected products in such a way as to avoid infringing intellectual property rights or seek alternative licenses from other third parties that may offer inferior programming, any or all of which could hurt our business, financial condition and results of operations. If those intellectual property rights are held by a competitor, we may be unable to obtain the intellectual property at any price, which could also negatively impact our competitive position. Any of these results could harm our business, financial condition and results of operations.

Our business depends on continued and unimpeded access to the Internet at non-discriminatory prices. Internet access providers and Internet backbone providers may be able to block, limit, degrade or charge for access to certain of our products and services, which could lead to additional expenses and the loss of users.

Our products and services depend on the ability of our customers' viewers to access the Internet, and certain of our customers' products require significant bandwidth to work effectively. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies and mobile communications companies. Some of these providers have stated that they may take measures that could degrade, disrupt or increase the cost of user access by restricting or prohibiting the use of their infrastructure to support or facilitate offerings, or by charging increased fees to provide offerings, while others, including some of the largest providers of broadband Internet access services, have committed to not engaging in such behavior.

The ability of the FCC to regulate broadband Internet access services was called into question by an April 2010 ruling of the United States Court of Appeals for the D.C. Circuit. The FCC then proposed new rules regulating broadband Internet access, but on January 14, 2014, the D.C. Circuit Court of Appeals struck down the net neutrality rules adopted by the FCC, determining that the FCC did not have the authority to issue or enforce net neutrality rules, as it had failed to identify certain service providers as “common carriers.” While the FCC could re-define the application of the definition of common carrier and re-institute net neutrality rules, it has not done so. Several bills re-instituting net neutrality have been proposed in Congress, but none have passed. AT&T has filed several patent applications for methods to take advantage of the dissolution of the net neutrality rules, and complaints have begun to mount that certain carriers are slowing access to various third party on-line and cloud services. Unless either Congress or the FCC addresses the scope of its authority it is possible that broadband service providers could impose restrictions on bandwidth and service delivery that may adversely impact our download speeds or ability to deliver content over those facilities, or impose significant end user or other fees that could impact the cost of our services to end users, or our delivery costs. As a result of the Court’s action and the FCC’s inaction, current and future actions by broadband Internet access providers may also result in limitations on access to our services, a loss of existing users, or increased costs to us, our users or our customers, thereby impairing our ability to attract new users, or limiting our opportunities and models for revenue and growth.

Internet transmissions may be subject to theft and malicious attacks, which could cause us to lose customers and revenue.

Like all Internet transmissions, streaming content may be subject to interception and malicious attack. Pirates may be able to obtain or redistribute programs without paying fees. Our distribution infrastructure is exposed to spam, viruses, worms, spyware, denial of service or other attacks by hackers and other acts of malice. Theft of our content or attacks on our distribution infrastructure would reduce future potential revenue and increase our infrastructure costs.

We use security measures intended to make theft of content and consumer data more difficult. However, if we are required to upgrade or replace existing security technology, the cost of such security upgrades or replacements could negatively impact our financial condition, profitability and cash flows. In addition, other illegal methods that compromise Internet transmissions may be developed in the future. If we cannot control compromises of our service, then our customers’ net subscriber acquisition costs and subscriber turnover could increase, our revenue could decrease and our ability to contract with new customers could be impaired.

Privacy concerns could harm our business and operating results, and deter current and potential users from using our products and services.

In the ordinary course of business, we collect and utilize data supplied by our customers’ subscribers. Increased regulation of data utilization practices, including self-regulation or findings under existing laws, that limit our ability to use collected data, could have an adverse effect on our business. In addition, if we were to disclose data about our customers’ subscribers in a manner that was objectionable to the subscribers, our reputation could be damaged, the number of subscribers could decline, and we and our customers could face potential legal claims that could ultimately impact our operating results. As our business evolves and grows, we may become subject to additional and/or more stringent legal obligations concerning the treatment of subscriber information. Failure to comply with these obligations could subject us to liability, and to the extent that we need to alter our business model or practices to adapt to these obligations, we could incur additional expenses.

We depend on key personnel and relationships, and the loss of their services or the inability to attract and retain them may negatively impact our business.

We are dependent on key members of our senior management. In addition, innovation is important to our success, and we depend on the continued efforts of our executive officers and key employees, who have specialized technical knowledge regarding our distribution infrastructure and information technology systems and significant business knowledge regarding the IPTV industry and subscription services. The market for the services of qualified personnel is competitive and we may not be able to attract and retain key employees. If we lose the services of one or more of our executive officers or key employees, or fail to attract qualified replacement personnel, then our business and future prospects could be harmed.

We may have exposure to greater than anticipated tax liabilities.

We are subject to income and other taxes in a variety of jurisdictions, and our tax structure is subject to review by both domestic and foreign taxation authorities. The determination of our world-wide provision for income taxes and other tax liabilities requires significant judgment and, in the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded on our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

We are subject to foreign business, political and economic disruption risks.

We contract with various entities around the world, including in respect of the acquisition of rights to distribute content via the Internet. As a result, we are exposed to foreign business, political and economic risks, including:

- political and economic instability;
- less developed infrastructures in newly industrializing countries;
- susceptibility to interruption of feeds in foreign areas due to war, terrorist attacks, medical epidemics, changes in political regimes and general interest rate and currency instability;
- exposure to possible litigation or claims in foreign jurisdictions; and
- competition from foreign-based technology service providers, and the existence of protectionist laws and business practices that favor such entities.

If any of these risks are realized, it could hurt our business, financial position and results of operations.

Item 1B. Unresolved Staff Comments

As a smaller reporting company, we are not required to include this information in our Annual Report on Form 10-K.

Item 2. Properties

Our principal executive offices are located in Plainview, New York. We lease the following properties:

Description	Location	Expiration of Lease	Use of Property
Lease	Plainview, New York	Month-to-month	Business office
Lease	Sanford, Florida	November 2014	Business office
Lease	New York, New York	November 2016	Business office
Lease	Toronto, Ontario, Canada	June 2017	Business office
Lease	Burnaby, British Columbia, Canada	March 31, 2014	Business office
Lease	London, England	Month-to-month	Business office
Lease	Beijing, China	July 2016	Business office
Lease	Shanghai, China	June 2015	Business office
Lease	Toronto, Ontario, Canada	January 2015	Colocation/equipment
Lease	Slough, England	January 2015	Colocation/equipment
Lease	Palo Alto, CA	January 2015	Colocation/equipment
Lease	Savage, MD	August 2014	Colocation/equipment
Lease	Bellevue, NE	June 2014	Colocation/equipment
Lease	North Bergen, NJ	January 2015	Colocation/equipment
Lease	Hauppauge, NY	August 2014	Colocation/equipment
Lease	New York, NY	January 2015	Colocation/equipment
Lease	Dallas, TX	January 2015	Colocation/equipment

Item 3. Legal Proceedings

There is no material litigation currently pending or threatened against us or, to our knowledge, any of our officers or directors in their capacity as such.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Price Information

There is no established public trading market for our common stock in the United States. The TSX is the principal established foreign public trading market for our common stock, which trades under the symbol NLN. The table below sets forth, for the periods indicated, the high and low sales prices of our common stock on the TSX, in Canadian dollars, for each full quarterly period within the two most recent fiscal years, as reported by the TSX.

<u>Fiscal Year</u>	<u>High</u>	<u>Low</u>
2013		
First Quarter	\$ 0.51	\$ 0.25
Second Quarter	\$ 0.55	\$ 0.275
Third Quarter	\$ 0.57	\$ 0.42
Fourth Quarter	\$ 0.66	\$ 0.46

<u>Fiscal Year</u>	<u>High</u>	<u>Low</u>
2012		
First Quarter	\$ 0.40	\$ 0.21
Second Quarter	\$ 0.26	\$ 0.18
Third Quarter	\$ 0.25	\$ 0.15
Fourth Quarter	\$ 0.33	\$ 0.22

Stockholders

As of March 10, 2014, there were 229 holders of record of our common stock.

Dividends

We have paid no dividends on our common stock since our inception. At the present time, we intend to retain earnings, if any, to finance the expansion of our business. The payment of dividends in the future will depend on our earnings and financial condition and on such other factors as the Board of Directors may consider appropriate.

The Delaware General Corporation Law (“DGCL”) sets out when a company is restricted from declaring or paying dividends. Under Section 170 of the DGCL, a company may not declare or pay a dividend out of net profits if the capital of the company is less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets until the deficiency in the amount of such capital has been repaired.

Our Certificate of Incorporation, as amended, also sets forth limits on the payment of dividends on our common stock in preference to our preferred stock. Except with the consent in writing of the holders of a majority of the Class 4 Preference Shares outstanding, no dividend will at any time be declared and paid on or set apart for payment on our common stock, Class 3 Preference Shares or on any other shares ranking junior to the Class 4 Preference Shares in any financial year unless and until certain cumulative dividends on all the Class 4 Preference Shares outstanding have been declared and paid or set apart for payment. Similarly, except with the consent in writing of the holders of a majority of the Class 3 Preference Shares outstanding, no dividend will at any time be declared and paid on or set apart for payment on our common stock or on any other shares ranking junior to the Class 3 Preference Shares in any financial year unless and until certain cumulative dividends on all the Class 3 Preference Shares outstanding have been declared and paid or set apart for payment.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2013 with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders			
2012 Omnibus Securities and Incentive Plan (1)	14,193,000	\$0.44	4,807,000
Second Amended and Restated Stock Option Plan (2)	10,074,500	\$0.40	11,216,292
Amended and Restated Directors' Compensation Plan (3)	0	N/A	2,699,893
Employee Share Purchase Plan (4)	N/A	N/A	N/A
Equity compensation plans not approved by security holders			
None	N/A	N/A	N/A
Total	24,267,500	\$0.42	18,723,185

- (1) The maximum number of shares of common stock issuable upon exercise of securities granted pursuant to the 2012 Omnibus Securities and Incentive Plan (the "2012 Plan") shall be 20,000,000.
- (2) The maximum number of shares of common stock issuable upon exercise of options granted pursuant to the Second Amended and Restated Stock Option Plan (the "Stock Option Plan") is equal to the greater of (i) 4,000,000 shares of common stock and (ii) 12.5% of the number of issued and outstanding shares of common stock from time to time. As a result, any increase in the issued and outstanding shares will result in an increase in the number of shares of common stock available for issuance under the Stock Option Plan, and any exercises of options will make new grants available under the Stock Option Plan. No new option awards will be made under the Stock Option Plan, however, outstanding awards under the Stock Option Plan will remain in effect pursuant to their terms. All future awards of options will be made under the 2012 Plan.
- (3) Shares of common stock are issued directly under the Amended and Restated Directors' Compensation Plan ("Directors' Compensation Plan") without exercise of any option, warrant or right.
- (4) We have not issued shares under the Employee Share Purchase Plan since its approval by our stockholders.

On May 9, 2012 (the “Issuance Date”), we executed a warrant certificate in favor of Raine Advisors LLC, a consultant, for the issuance of up to 3,789,482 warrants to purchase up to such number of shares of common stock of the Company at an exercise price of \$0.2201 per share (a weighted-average exercise price of \$0.2201 per share). On the Issuance Date, 1,894,741 warrants automatically vested. The remaining 1,894,741 warrants shall vest on such date that occurs prior to the expiration date, which shall be 10 years from the Issuance Date, upon Raine’s satisfaction of certain conditions set forth in the warrant certificate. All of such warrants were outstanding as of December 31, 2013.

Recent Sales of Unregistered Securities

Information regarding other securities sold by us but not registered under the Securities Act of 1933, as amended (the “Securities Act”), during the fiscal year ended December 31, 2013 has been previously included in our Quarterly Reports on Form 10-Q for the periods ended March 31, 2013, June 30, 2013 and September 30, 2013 and in our Current Reports on Form 8-K filed with the SEC on June 6, 2013, October 18, 2013 and November 1, 2013.

Information regarding securities sold by us but not registered under the Securities Act subsequent to the quarter ended September 30, 2013 through December 31, 2013 that were not reported on a Current Report on Form 8-K filed with the SEC during that period is as follows:

1. On December 19, 2013, we issued shares of common stock without registration under the Securities Act to non-management directors, in payment pursuant to our Directors’ Compensation Plan of their semi-annual directors’ fees for the six-month period ended December 31, 2013, in the following aggregate amounts:

John R. Anderson	22,481
Gabriel A. Battista	16,730
Shirley Strum Kenny	37,643
David Kronfeld	27,187
Charles B. Wang	39,734
Total	<u>143,775</u>

The aggregate value of the 143,775 shares of common stock issued to Dr. Kenny and Messrs. Anderson, Battista, Kronfeld and Wang was \$68,750 on the date of issuance. We issued these shares of common stock pursuant to the exemption from registration set forth in Section 4(2) of the Securities Act and Regulation D promulgated thereunder. This issuance qualified for exemption from registration under the Securities Act because (i) each of the directors was an accredited investor at the time of the issuance, (ii) we did not engage in any general solicitation or advertising in connection with the issuance, and (iii) each of the directors received restricted securities.

2. Between October 1, 2013 and December 31, 2013, certain subscribers to the Company’s September 25, 2012 private placement residing outside the United States exercised an aggregate of 2,137,500 Warrants and received 930,959 shares of common stock. Per the terms of the Warrant certificates, the Warrant exercise took place on a cashless basis, which resulted in the holder receiving the number of shares of common stock determined by dividing the “intrinsic value” of the Warrants being exercised by the “fair market value.” The “intrinsic value” per share was determined by subtracting the exercise price of \$0.30 per share from the fair market value (conversion from Canadian dollars to US dollars took place). The “fair market value” means the average of the closing prices of the common stock of the Company from the five days immediately prior to the date on which the Company received an exercise notice from a holder. As a result of the cashless exercise, the holder did not make any payment to the Company in connection with exercising the Warrants. The Company offered and sold the common stock in reliance on the exemption from registration afforded by Regulation S under the Securities Act.

Repurchases of Equity Securities During the Fourth Quarter of the Fiscal Year Ended December 31, 2013

None.

Item 6. Selected Financial Data

As a smaller reporting company, we are not required to include this information in our Annual Report on Form 10-K.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of the Company should be read in conjunction with our audited consolidated financial statements and accompanying notes for the years ended December 31, 2013 and 2012, which have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). All dollar amounts are in U.S. dollars ("US\$" or "\$") unless stated otherwise. As at March 7, 2014 the Bank of Canada noon rate for conversion of United States dollars to Canadian dollars ("CDN\$") was US\$1 to CDN\$1.1089.

Our MD&A is intended to enable readers to gain an understanding of our current results and financial position. To do so, we provide information and analysis comparing the results of operations and financial position for the current year to those of the preceding comparable year. We also provide analysis and commentary that we believe is required to assess our future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in Item 1A of this Annual Report on Form 10-K and below in the section titled "Cautions Regarding Forward-Looking Statements" and that could have a material impact on future prospects. Readers are cautioned that actual results could vary from those forecasted in this MD&A.

Cautions Regarding Forward-Looking Statements

This MD&A contains certain forward-looking statements that reflect management's expectations regarding our growth, results of operations, performance and business prospects and opportunities.

Statements about our future plans and intentions, results, levels of activity, performance, goals, achievements or other future events constitute forward-looking statements. Wherever possible, words such as "may," "will," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," or "potential" or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information available to management as at the date of this Annual Report on Form 10-K.

Forward-looking statements involve significant risk, uncertainties and assumptions. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Annual Report on Form 10-K and we assume no obligation to update or revise them to reflect new events or circumstances, except as required by law. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including: our ability to realize some or all of the anticipated benefits of our partnerships; our ability to increase revenue; general economic and market segment conditions; our customers' subscriber levels and financial health; our ability to pursue and consummate acquisitions in a timely manner; our continued relationships with our customers; our ability to negotiate favorable terms for contract renewals; competitor activity; product capability and acceptance rates; technology changes; regulatory changes; foreign exchange risk; interest rate risk; and credit risk. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations is contained in Item 1A, "Risk Factors."

Overview

NeuLion is a technology service provider that specializes in the digital video broadcasting, distribution and monetization of live and on-demand content to Internet-enabled devices. Through our cloud-based end-to-end solution, we build and manage interactive digital networks that enable our customers to provide a destination for their viewers to view and interact with their content. We were incorporated on January 14, 2000 under the Canada Business Corporations Act and were domesticated under Delaware law on November 30, 2010. Our common stock is listed on the Toronto Stock Exchange ("TSX") under the symbol NLN.

Our core business and business model have evolved from being a provider of professional information technology services and international programming to a provider of customized, end-to-end, interactive content services for a wide range of professional and collegiate sports properties, cable networks and operators, content owners and distributors, and telecommunication companies. With a fundamental shift in the way media is now being consumed, technological advancements are affecting how, when and where consumers connect to content. Our technology enables our customers to capitalize on the growing consumer demand for viewing interactive content on multiple types of Internet-enabled devices by enabling the delivery of content to a range of these devices, such as PCs, smartphones and tablets, and by also providing our customers with a technology platform to manage their content. Our cloud-based technology platform offers a variety of digital technology and services, including content ingestion, live encoding, live video editing, advertising insertion and management, pay flow and premium content payment support, video player software development kits, multi-platform device delivery, content management, subscriber management, digital rights management, billing services, app development, website design, analytics and reporting.

Key Performance Indicators

	2013 YE (million)	2012 YE (million)	% change	Q4 2013 (million)	Q4 2012 (million)	% change
Financial Indicators						
Total Revenue	\$47.1	\$39.0	21%	\$14.1	\$10.5	34%
Pro Sports (1)	\$20.9	\$13.5	55%	\$6.8	\$3.9	74%
College Sports (1)	\$12.6	\$10.9	16%	\$3.8	\$3.2	19%
TV Everywhere (1)	\$11.3	\$10.6	7%	\$3.0	\$2.9	3%
Non-GAAP Adjusted Gross Margin % (2)	72 %	65%	7%	72 %	69%	3%
Non-GAAP Adjusted EBITDA (3)	\$3.5	\$(3.3)	-	\$2.2	\$0.8	175%
Consolidated Net Income (Loss)	\$(2.3)	\$(10.1)	-	\$1.1	\$(0.8)	-
	2013 YE	2012 YE	% change			
Non-Financial Indicator						
Video Streamed (4)	154.5 petabytes	82.3 petabytes	88%			

(1) Excludes equipment revenue.

(2) We report non-GAAP Adjusted Gross Margin % because it is a key measure used by management to evaluate our results and make strategic decisions about the Company, including potential acquisitions. Non-GAAP Adjusted Gross Margin % represents consolidated operating income (loss) plus depreciation and amortization, research and development expenses and selling, general and administrative expenses divided by total revenue. This measure does not have any standardized meaning prescribed by U.S. GAAP and therefore is unlikely to be comparable to the calculation of similar measures used by other companies, and should not be viewed as an alternative to measures of financial performance or changes in cash flows calculated in accordance with U.S. GAAP. A reconciliation is provided below.

(3) We report non-GAAP Adjusted EBITDA because it is a key measure used by management to evaluate our results and make strategic decisions about the Company, including potential acquisitions. Non-GAAP Adjusted EBITDA represents net income (loss) before interest, income taxes, depreciation and amortization, stock-based compensation, unrealized gain/loss on derivatives, investment income, non-controlling interests and foreign exchange gain/loss. This measure does not have any standardized meaning prescribed by U.S. GAAP and therefore is unlikely to be comparable to the calculation of similar measures used by other companies, and should not be viewed as an alternative to measures of financial performance or changes in cash flows calculated in accordance with U.S. GAAP. A reconciliation is provided below.

(4) A petabyte is 10¹⁵ bytes of digital information. One petabyte is equivalent to 1000 terabytes. The figures shown in the table above represent the amount of video streamed on all of our business-to-business (“B2B”) platforms (Pro Sports, College Sports and TV Everywhere). We believe the amount of video streamed is a key performance indicator because our contracts typically include a revenue share or usage fee component.

Overall Performance – Year-ended December 31, 2013 vs year-ended December 31, 2012

Total revenue for fiscal 2013 was \$47.1 million, an increase of \$8.1 million, or 21%, from \$39.0 million in fiscal 2012. The increase of \$8.1 million was due to an increase in services revenue of \$9.1 million offset by a decrease in equipment revenue of \$1.0 million. The \$9.1 million increase in services revenue was primarily attributable to an increase in revenue in our Pro Sports category of customers.

Our non-GAAP Adjusted Gross Margin % (as defined above and reconciled below) was 72% for the year ended December 31, 2013, compared with 65% for the year ended December 31, 2012. The 7% improvement in non-GAAP Adjusted Gross Margin % was primarily due to decreased bandwidth costs as well as a decrease in our equipment revenue and related cost of revenue.

Our non-GAAP Adjusted EBITDA (as defined above and reconciled below) was \$3.5 million for the year ended December 31, 2013, compared with \$(3.3) million for the year ended December 31, 2012. The improvement in non-GAAP Adjusted EBITDA of \$6.8 million was due to an increase in revenue of \$8.1 million and a decrease in cost of revenue of \$0.4 million offset by an increase of \$1.7 million in selling, general and administrative expenses, excluding stock-based compensation, and research and development expenses.

Our consolidated net loss for the year ended December 31, 2013 was \$2.3 million, or a loss of \$0.01 per basic and diluted share of common stock, compared with a net loss of \$10.1 million, or a loss of \$0.07 per basic and diluted share of common stock, for the year ended December 31, 2012. The improvement in consolidated net loss of \$7.8 million was primarily attributable to the items discussed above relating to non-GAAP Adjusted EBITDA.

The reconciliation from consolidated operating loss to non-GAAP Adjusted Gross Margin % is as follows:

Consolidated Statement of Operations Reconciliation:

	Years ended December 31,	
	2013	2012
	\$	\$
Consolidated operating loss on a GAAP basis	(1,639,586)	(9,333,040)
Depreciation and amortization	3,755,054	4,407,474
Research and development	7,422,802	6,672,778
Selling, general and administrative, including stock-based compensation	24,289,845	23,541,296
Non-GAAP Adjusted Gross Margin	33,828,115	25,288,508
Non-GAAP Adjusted Gross Margin % (as a % of total revenue)	<u>72%</u>	<u>65%</u>

The reconciliation from net loss to non-GAAP Adjusted EBITDA is as follows:

Consolidated Statement of Operations Reconciliation:

	Years ended December 31,	
	2013	2012
	\$	\$
Consolidated net loss on a GAAP basis	(2,278,345)	(10,078,764)
Depreciation and amortization	3,755,054	4,407,474
Stock-based compensation	1,416,892	1,627,231
Discount on convertible note	233,769	77,922
Income taxes	276,846	612,884
Interest and foreign exchange loss	128,144	54,918
Non-GAAP Adjusted EBITDA	3,532,360	(3,298,335)

Overall Performance – Three months ended December 31, 2013 vs three months ended December 31, 2012

Total revenue for the three months ended December 31, 2013 was \$14.1 million, an increase of \$3.6 million, or 34%, from \$10.5 million for the three months ended December 31, 2012. The \$3.6 million increase in total revenue was primarily attributable to an increase in revenue in our Pro Sports category of customers.

Our non-GAAP Adjusted Gross Margin % (as defined above and reconciled below) was 72% for the three months ended December 31, 2013, compared with 69% for the three months ended December 31, 2012. The 3% improvement in non-GAAP Adjusted Gross Margin % was primarily due to decreased bandwidth costs.

Our non-GAAP Adjusted EBITDA (as defined above and reconciled below) was \$2.2 million for the three months ended December 31, 2013, compared with \$0.8 million for the year ended December 31, 2012. The improvement in non-GAAP Adjusted EBITDA of \$1.4 million was due to an increase in revenue of \$3.6 million offset by increases in cost of revenues of \$0.8 million and selling, general and administrative expenses, excluding stock-based compensation and research and development expenses of \$1.4 million.

Our consolidated net income for the three months ended December 31, 2013 was \$1.1 million, or income of \$0.00 per basic and diluted share of common stock, compared with a net loss of \$0.8 million, or a loss of \$0.00 per basic and diluted share of common stock, for the three months ended December 31, 2012. The improvement of \$1.9 million was primarily attributable to the items discussed above relating to non-GAAP Adjusted EBITDA.

The reconciliation from consolidated operating income (loss) to non-GAAP Adjusted Gross Margin % is as follows:

Consolidated Statement of Operations Reconciliation:

	Three months ended December 31,	
	2013	2012
	\$	\$
Consolidated operating income (loss) on a GAAP basis	1,117,379	(433,242)
Amortization and depreciation	767,782	842,614
Research and development	1,962,676	1,663,510
Selling, general and administrative, including stock-based compensation	6,300,462	5,244,689
Non-GAAP Adjusted Gross Margin	10,148,299	7,317,571
Non-GAAP Adjusted Gross Margin % (as a % of total revenue)	<u>72%</u>	<u>69%</u>

The reconciliation from net income (loss) to non-GAAP Adjusted EBITDA is as follows:

Consolidated Statement of Operations Reconciliation:

	Three months ended December 31,	
	2013	2012
	\$	\$
Consolidated net income (loss) on a GAAP basis	1,071,979	(862,040)
Depreciation and amortization	767,782	842,614
Stock-based compensation	344,291	361,497
Discount on convertible note	-	77,922
Income taxes	11,556	333,884
Interest and foreign exchange loss	33,844	16,992
Non-GAAP Adjusted EBITDA	2,229,452	770,869

OPERATIONS

Revenue

We earn revenue from four broad categories of customers:

• **Professional Sports**

This category contains all of our professional sports programming customers. These customers include the National Football League (NFL), the National Hockey League (NHL), the National Basketball Association (NBA), Ultimate Fighting Championship (UFC), Major League Soccer (MLS), the American Hockey League (AHL), the Canadian Football League (CFL), the Western Hockey League (WHL), the Ontario Hockey League (OHL), and the Professional Bowlers Association (PBA).

• **College Sports**

This category contains all of our college and collegiate conference customers. We partner with many National Collegiate Athletic Association (NCAA) schools and conferences and have agreements in place with over 175 colleges, universities or related sites. These customers include the University of North Carolina, Duke University, the University of Oregon, Louisiana State University, Mississippi State University, Arkansas State University, the University of Nebraska, Texas A&M University, the Big 12 Conference and the Southern Conference, Pac 12 member schools, the University of Oklahoma, the Ivy League Digital Network and the University of Maryland.

• **TV Everywhere**

This category contains all of our cable networks and operators, entertainment companies, content aggregators and MVPDs. These customers include ESPN, Univision, China Network Television (a new media agency of China Central Television), Sport TV, Rogers Media, Sportsnet, Outdoor Channel, TVG Network, CBC, Zon Multimedia, Independent Film Channel, Cablevision, MSG Varsity, Shaw Communications, the Big Ten Network, Participant Media and the Gospel Music Channel.

• **Other Customers**

This category includes our B2C business, in which we market our own content directly to customers, and various consulting services. Effective April 1, 2012, the Company amended its agreement with KyLin TV, such that, in addition to the services we previously provided, KyLin TV was appointed the exclusive distributor of the Company's B2C IPTV interests. As exclusive distributor, KyLin TV obtains, advertises and markets most of the Company's B2C content, in accordance with the terms of the amendment. Accordingly, KyLin TV records the gross revenues from the Company's B2C content as well as the associated license fees expense, whereas the Company records revenues in accordance with the revised fee schedule in the amendment. We record revenues from KyLin TV in our TV Everywhere category of customers.

Within each of these four categories of customers, revenue is categorized as follows:

• **Services revenue**, which consists of:

- Setup fees - non-recurring and charged to customers for design, setup and implementation services.
- Monthly/annual fees - recurring and charged to customers for ongoing hosting, support and maintenance.
- Variable fees - recurring and earned through subscriptions, usage, advertising, support and eCommerce.
 - Subscription revenue consists of recurring revenue based on the number of subscribers. Revenue is typically generated on a monthly, quarterly or annual basis and can be either a fixed fee per user or a variable fee based on a percentage of the subscription price.
 - Usage fees are charged to customers for bandwidth and storage.
 - Advertising revenues are earned through the insertion of advertising impressions on websites and in streaming video at a cost per thousand impressions.
 - Support revenue consists of fees charged to our customers for providing customer support to their end users.
 - eCommerce revenues are earned through providing customers with ticketing and retail merchandising web solutions.

• **Equipment revenue**, which is non-recurring, consists of the sale of STBs to content partners and/or end users and is recognized when title to an STB passes to our customer. Shipping revenue, STB rentals and computer hardware sales are also included in equipment revenue.

Cost and Expenses

Cost of services revenue

Cost of services revenue primarily consists of:

- revenue share payments;
- broadcast operating costs (teleport fees, bandwidth usage fees, colocation fees); and
- cost of advertising revenue, which is subject to revenue shares with the content provider.

Cost of equipment revenue

Cost of equipment revenue primarily consists of purchases of STB products and parts for resale to customers. Shipping costs are included in cost of equipment revenue.

Selling, general and administrative expenses, including stock-based compensation

Selling, general and administrative (“SG&A”) expenses, including stock-based compensation, include:

- *Wages and benefits* – represents compensation for our full-time and part-time employees, excluding R&D employees shown below, as well as fees for consultants we use from time to time;
- *Stock-based compensation* – represents the estimated fair value of our options, warrants and stock appreciation rights (“Convertible Securities”) for financial accounting purposes, prepared using the Black-Scholes-Merton model, which requires a number of subjective assumptions, including assumptions about the expected life of the Convertible Securities, risk-free interest rates, dividend rates, forfeiture rates and the future volatility of the price of our shares of common stock. The estimated fair value of the Convertible Securities is expensed over the vesting period, which is normally four years, with the Convertible Securities vesting in equal amounts each year. However, our Board of Directors has the discretion to grant options with different vesting periods;
- *Marketing* – represents expenses for global and local marketing programs that focus on corporate marketing activities;
- *Professional fees* – represents legal, accounting, and public and investor relations expenses; and
- *Other SG&A expenses* – represents travel expenses, rent, office supplies, corporate IT services, credit card processing fees and other general operating expenses.

Research and development

Research and development costs (“R&D”) primarily consist of wages and benefits for R&D department personnel.

RESULTS OF OPERATIONS

Comparison of Fiscal 2013 to Fiscal 2012

Our consolidated financial statements for our fiscal years ended December 31, 2013 and 2012 have been prepared in accordance with U.S. GAAP. A comparison of our results of operations for those years is as follows:

	2013 \$	2012 \$	Change %
Revenue			
Services revenue	46,257,712	37,178,431	24%
Equipment revenue	849,466	1,804,495	(53)%
Total revenue	47,107,178	38,982,926	21%
Costs and expenses			
Cost of services revenue, exclusive of depreciation and amortization shown separately below	12,697,104	12,280,658	3%
Cost of equipment revenue	581,959	1,413,760	(59)%
Selling, general and administrative, including stock-based compensation	24,289,845	23,541,296	3%
Research and development	7,422,802	6,672,778	11%
Depreciation and amortization	3,755,054	4,407,474	(15)%
	48,746,764	48,315,966	1%
Operating loss	(1,639,586)	(9,333,040)	-%
Other income (expense)			
Loss on foreign exchange	(125,657)	(56,244)	-%
Interest, net	(2,487)	1,326	-%
Discount on convertible note	(233,769)	(77,922)	-%
	(361,913)	(132,840)	-%
Net and comprehensive loss before income taxes	(2,001,499)	(9,465,880)	-%
Deferred income taxes	(276,846)	(612,884)	-%
Net and comprehensive loss	(2,278,345)	(10,078,764)	-%

Revenue

Services revenue

Services revenue increased to \$46.3 million for the year ended December 31, 2013 from \$37.2 million for the year ended December 31, 2012. Services revenue includes revenue from Pro Sports, College Sports, TV Everywhere and Other Customers and is comprised of set-up fees, annual/monthly fees and variable fees. Year-over-year variances in each sector are detailed below:

Pro Sports

Revenue from Pro Sports customers increased to \$20.9 million for the year ended December 31, 2013 from \$13.5 million for the year ended December 31, 2012. The \$7.4 million improvement was primarily the result of an increase in variable usage fees of \$3.7 million, monthly/annual fees of \$1.7 million and variable subscription fees of \$1.3 million. The increase in revenue from variable usage fees was the result of an increase in end users, end users watching for longer periods of time and increased bandwidth consumption by end users due to advances in technology.

College Sports

Revenue from College Sports customers increased to \$12.6 million for the year ended December 31, 2013 from \$10.9 million for the year ended December 31, 2012. The \$1.7 million increase was primarily a result of revenue earned from agreements signed with new colleges and conferences during the year and at the end of the prior year. The \$1.7 million increase was the result an increase in monthly/annual fees of \$0.5 million, variable subscription fees of \$0.4 million, variable usage fees of \$0.3 million, variable eCommerce fees of \$0.3 million and variable advertising fees of \$0.2 million.

TV Everywhere

Revenue from TV Everywhere customers increased to \$11.3 million for the year ended December 31, 2013 from \$10.6 million for the year ended December 31, 2012. The \$0.7 million increase was primarily a result of an increase in monthly/annual fees.

Other – B2C

Revenue from B2C customers decreased to \$0.5 million for the year ended December 31, 2013 from \$1.2 million for the year ended December 31, 2012. The decrease in revenue was primarily attributable to the Company's appointment of KyLin TV, a related party, as the exclusive distributor of the Company's B2C IPTV interests effective April 1, 2012.

Other – Consulting

Revenue from consulting customers was \$1.0 million for the years ended December 31, 2012 and 2013.

Equipment revenue

Equipment revenue decreased to \$0.8 million for the year ended December 31, 2013 from \$1.8 million for the year ended December 31, 2012. The \$1.0 million change was due to a decrease in STB purchases by existing customers. Over 85% of our equipment revenue is generated from our TV Everywhere customers.

Costs and Expenses

Cost of services revenue

Cost of services revenue increased from \$12.3 million for the year ended December 31, 2012 to \$12.7 million for the year ended December 31, 2013. Cost of services revenue as a percentage of services revenue decreased from 33% for the year ended December 31, 2012 to 27% for the year ended December 31, 2013. The 6% improvement (as a percentage of services revenue) primarily resulted from the Company having negotiated lower rates on bandwidth costs.

Cost of equipment revenue

Cost of equipment revenue decreased from \$1.4 million for the year ended December 31, 2012 to \$0.6 million for the year ended December 31, 2013, primarily as a result of a decrease in equipment sold.

Selling, general and administrative expenses, including stock-based compensation

Selling, general and administrative expenses, including stock-based compensation, increased by 3%, from \$23.5 million for the year ended December 31, 2012 to \$24.3 million for the year ended December 31, 2013. The individual variances are as follows:

- Wages and benefits increased from \$16.1 million for the year ended December 31, 2012 to \$17.2 million for the year ended December 31, 2013. The \$1.1 million increase was primarily the result of the hire of new employees and related costs.
- Stock-based compensation expense decreased from \$1.6 million for the year ended December 31, 2012 to \$1.4 million for the year ended December 31, 2013. The \$0.2 million decrease was primarily the result of fully vested warrants being issued to a consulting firm during the three months ended December 31, 2012. There was no comparable charge during the three months ended December 31, 2013.
- Marketing expenses decreased from \$0.4 million for the year ended December 31, 2012 to \$0.3 million for the year ended December 31, 2013.
- Professional fees decreased from \$1.6 million for the year ended December 31, 2012 to \$1.3 million for the year ended December 31, 2013. The \$0.3 million decrease was primarily the result of a decrease in legal fees and recruitment expenses.
- Other SG&A expenses increased from \$3.8 million for the year ended December 31, 2012 to \$4.1 million for the year ended December 31, 2013. The \$0.3 million increase was primarily due to an increase in bad debt expense due to a large recovery during the year ended December 31, 2012.

Research and development

Research and development costs increased from \$6.7 million for the year ended December 31, 2012 to \$7.4 million for the year ended December 31, 2013. The increase of \$0.7 million was primarily due to the hire of new R&D employees.

Depreciation and amortization

Depreciation and amortization decreased from \$4.4 million for the year ended December 31, 2012 to \$3.8 million for the year ended December 31, 2013. The \$0.6 million decrease was the result of certain intangible assets becoming fully depreciated during the year ended December 31, 2013.

RESULTS OF OPERATIONS

Comparison of Three Months Ended December 31, 2013 to Three Months Ended December 31, 2012

Our consolidated financial statements for the three months ended December 31, 2013 and 2012 have been prepared in accordance with U.S. GAAP. A comparison of our results of operations for those periods is as follows:

	2013 \$	2012 \$	Change %
Revenue			
Services revenue	13,958,708	10,338,669	35%
Equipment revenue	185,425	200,096	(7)%
Total revenue	14,144,133	10,538,765	34%
Costs and expenses			
Cost of services revenue, exclusive of depreciation and amortization shown separately below	3,852,390	3,116,829	24%
Cost of equipment revenue	143,444	104,365	37%
Selling, general and administrative, including stock-based compensation	6,300,462	5,244,689	20%
Research and development	1,962,676	1,663,510	18%
Depreciation and amortization	767,782	842,614	(9)%
	13,026,754	10,972,007	19%
Operating income (loss)	1,117,379	(433,242)	-%
Other income (expense)			
Loss on foreign exchange	(35,708)	(12,493)	-%
Interest, net	1,864	(4,499)	-%
Discount on convertible note	-	(77,922)	-%
	(33,844)	(94,914)	-%
Net and comprehensive income (loss) before income taxes	1,083,535	(528,156)	-%
Deferred income taxes	(11,556)	(333,884)	-%
Net and comprehensive income (loss)	1,071,979	(862,040)	-%

Revenue

Services revenue

Services revenue increased to \$13.9 million for the three months ended December 31, 2013 from \$10.3 million for the three months ended December 31, 2012. Services revenue includes revenue from Pro Sports, College Sports, TV Everywhere and Other Customers and is comprised of set-up fees, annual/monthly fees and variable fees. Period-over-period variances in each sector are detailed below:

Pro Sports

Revenue from Pro Sports customers increased to \$6.8 million for the three months ended December 31, 2013 from \$3.9 million for the three months ended December 31, 2012. The \$2.9 million improvement was primarily the result of an increase in variable usage fees of \$1.3 million, monthly/annual fees of \$1.1 million and variable subscription fees of \$0.3 million. The increase in revenue from variable usage fees was the result of an increase in end users, end users watching for longer periods of time and increased bandwidth consumption by end users due to advances in technology.

College Sports

Revenue from College Sports customers increased to \$3.8 million for the three months ended December 31, 2013 from \$3.2 million for the three months ended December 31, 2012. The \$0.6 million increase was primarily a result of revenue earned from agreements signed with new colleges and conferences during the year and at the end of the prior year. The \$0.6 million increase was the result an increase in monthly/annual fees of \$0.2 million, variable usage fees of \$0.2 million and variable advertising fees of \$0.2 million.

TV Everywhere

Revenue from TV Everywhere customers increased to \$3.0 million for the three months ended December 31, 2013 from \$2.9 million for the three months ended December 31, 2012.

Other – B2C

Revenue from B2C customers was \$0.1 million for the three months ended December 31, 2012 and 2013.

Other – Consulting

Revenue from consulting customers was \$0.2 million for the three months ended December 31, 2012 and 2013.

Equipment revenue

Equipment revenue was \$0.2 million for the three months ended December 31, 2012 and 2013. Over 85% of our equipment revenue is generated from our TV Everywhere customers.

Costs and Expenses

Cost of services revenue

Cost of services revenue increased from \$3.1 million for the three months ended December 31, 2012 to \$3.8 million for the three months ended December 31, 2013. Cost of services revenue as a percentage of services revenue decreased from 31% for the year ended December 31, 2012 to 28% for the three months ended December 31, 2013. The 3% improvement (as a percentage of services revenue) primarily resulted from the Company having negotiated lower rates on bandwidth costs.

Cost of equipment revenue

Cost of equipment revenue was \$0.1 million for the three months ended December 31, 2012 and 2013.

Selling, general and administrative expenses, including stock-based compensation

Selling, general and administrative expenses, including stock-based compensation, increased by 21%, from \$5.2 million for the three months ended December 31, 2012 to \$6.3 million for the three months ended December 31, 2013. The individual variances are as follows:

- Wages and benefits increased from \$3.6 million for the three months ended December 31, 2012 to \$4.4 million for the three months ended December 31, 2013. The \$0.8 million increase was primarily a result of the hire of new employees and consultants.
- Stock-based compensation expense was \$0.4 million for the three months ended December 31, 2012 and 2013.
- Marketing expenses were \$0.1 million for the three months ended December 31, 2012 and 2013.
- Professional fees increased from \$0.2 million for the three months ended December 31, 2012 to \$0.4 million for the three months ended December 31, 2013. The \$0.2 million increase was the result of an increase in legal fees.
- Other SG&A expenses increased from \$0.9 million for the three months ended December 31, 2012 to \$1.0 million for the three months ended December 31, 2013.

Research and development

Research and development costs increased from \$1.7 million for the three months ended December 31, 2012 to \$2.0 million for the three months ended December 31, 2013. The increase of \$0.3 million was primarily due to the hire of new R&D employees.

Depreciation and amortization

Depreciation and amortization was \$0.8 million for the three months ended December 31, 2012 and 2013.

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was \$19.6 million at December 31, 2013. In 2013, we generated \$9.5 million from operations, which included cash of \$6.9 million provided by operating assets. Additionally, cash provided by financing activities included \$0.4 million from the exercise of stock options and broker units and cash used in investing activities included \$1.3 million to purchase fixed assets.

As of December 31, 2013, our principal sources of liquidity included cash and cash equivalents of \$19.6 million and trade accounts receivable of \$5.3 million offset by \$13.0 million in accounts payable. We continue to closely monitor our cash balances to ensure that we have sufficient cash on hand to meet our operating needs. Management believes that we have sufficient liquidity to meet our working capital and capital expenditure requirements for at least the next twelve months.

At December 31, 2013, approximately 92% of our cash and cash equivalents were held in accounts with U.S. banks that received a BBB+ rating from Standard and Poor's and an A3 rating from Moody's. The Company believes that these U.S. financial institutions are secure notwithstanding the current global economy and that we will be able to access the remaining balance of bank deposits. Our investment policy is to invest in low-risk short-term investments which are primarily term deposits. We have not had a history of any defaults on these term deposits, nor do we expect any in the future given the short term maturity of these investments.

We are still building out our current business. In 2006, our core business and business model evolved from providing professional information technology services and international programming to providing customized, end-to-end, interactive video services for a wide range of professional and collegiate sports properties, cable networks and operators, content owners and distributors, and telecommunication companies. From our inception, we have incurred substantial net losses and have an accumulated deficit of \$87.7 million; however, our non-GAAP Adjusted EBITDA (as previously defined) has continuously improved year-over-year and management expects this trend to continue. We continue to review our operating structure in an attempt to maximize revenue opportunities, further reduce costs and achieve profitability. Based on our current business plan and internal forecasts, we believe that our cash on hand will be sufficient to meet our working capital and operating cash requirements for the next twelve months. However, we will require expenditures of significant funds for research and development, maintaining adequate video streaming and database software, and the construction and maintenance of our delivery infrastructure and office facilities. Cash from operations could be affected by various risks and uncertainties, including, but not limited to, the risks detailed in this Annual Report on Form 10-K. If our actual cash needs are greater than forecasted and if cash on hand is insufficient to meet our working capital and cash requirements for the next twelve months, we will require outside capital in addition to cash flow from operations in order to fund our business. Our short operating history and our current lack of profitability could each or all be factors that might negatively impact our ability to obtain outside capital on reasonable terms, or at all. If we were ever unable to obtain needed capital, we would reevaluate and reprioritize our planned capital expenditures and operating activities. We cannot assure you that we will ultimately be able to generate sufficient revenue or reduce our costs in the anticipated time frame to become profitable and have sustainable net positive cash flows.

Working Capital Requirements

Our net working capital at December 31, 2013 was \$(0.1) million, an improvement of \$2.4 million from the December 31, 2012 net working capital of \$(2.5) million. Our working capital ratios at December 31, 2013 and 2012 were 1.00 and 0.88, respectively. Included in current liabilities at December 31, 2013 and 2012 are approximately \$8.9 million and \$6.0 million, respectively, of liabilities (deferred revenue and convertible note) that we do not anticipate settling in cash.

The change in working capital was primarily due to an increase in current assets of \$9.0 million and an increase in current liabilities of \$6.6 million.

Current assets at December 31, 2013 were \$27.2 million, an increase of \$9.0 million from the December 31, 2012 balance of \$18.2 million. The change was primarily due to an increase of \$8.5 million in cash and cash equivalents.

Current liabilities at December 31, 2013 were \$27.2 million, an increase of \$6.6 million from the December 31, 2012 balance of \$20.6 million. The increase was primarily due to increases in accounts payable of \$3.2 million and deferred revenue of \$3.1 million.

Off Balance Sheet Arrangements

The Company did not have any off balance sheet arrangements as of December 31, 2013.

Financial Instruments

Our financial instruments are comprised of cash and cash equivalents, accounts receivable, other receivables, deposits, accounts payable, accrued liabilities and amounts due to/from related parties.

Fair value of financial instruments

Fair value of a financial instrument is defined as the amount for which the instrument could be exchanged in a current transaction between willing parties. The estimated fair value of our financial instruments approximates their carrying value due to the short maturity term of these financial instruments.

Risks associated with financial instruments

Foreign exchange risk

We are exposed to foreign exchange risk as a result of transactions in currencies other than our functional currency, the United States dollar. The majority of our revenues are transacted in U.S. dollars, and the majority of our expenses are transacted in U.S. dollars. We do not use derivative instruments to hedge against foreign exchange risk.

Interest rate risk

We are exposed to interest rate risk on our invested cash and cash equivalents and our short-term investments. The interest rates on these instruments are based on bank rates and therefore are subject to change with the market. We do not use derivative financial instruments to reduce our interest rate risk.

Credit risk

We sell our services to a variety of customers under various payment terms and therefore are exposed to credit risk. We have adopted policies and procedures designed to limit this risk. The maximum exposure to credit risk at the reporting date is the carrying value of receivables. We establish an allowance for doubtful accounts that represents our estimate of incurred losses in respect of accounts receivable.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates to ensure they appropriately reflect changes in our business and new information as it becomes available. If historical results and other factors used by management to make these estimates do not reasonably predict future actual results, our consolidated financial position and results of operations could be materially impacted.

We believe the following critical accounting policies involve the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Allowance for doubtful accounts

We maintain a provision for estimated losses resulting from the inability of our customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends and changes in customer payment terms. If the financial conditions of our customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2013 and 2012, the allowance for doubtful accounts was \$105,292 and \$85,882, respectively.

Inventory

We evaluate our ending inventories for estimated excess quantities and obsolescence. This evaluation includes analyses of sales levels and projections of future demand within specific time horizons. Inventories in excess of future demand are reserved. In addition, we assess the impact of changing technology and market conditions on our inventory on hand and write off inventories that are considered obsolete.

Property, plant and equipment

We review the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If these future undiscounted cash flows are less than the carrying value of the asset, then the carrying amount of the asset is written down to its fair value, based on the related estimated discounted future cash flows. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property, plant and equipment is used and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, no impairment was recorded for the years ended December 31, 2013 and 2012.

Intangible assets

We review the carrying value of our definite lived intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If these future undiscounted cash flows are less than the carrying value of the asset, then the carrying amount of the asset is written down to its fair value, based on the related estimated discounted future cash flows. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the intangible assets are used and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, no impairment was recorded for the years ended December 31, 2013 and 2012.

Goodwill

Goodwill is not amortized but is subject to an annual impairment test at the reporting unit level and between annual tests if changes in circumstances indicate a potential impairment. The Company performs this annual goodwill impairment test as of October 1 of each calendar year. Goodwill impairment is assessed based on a comparison of the fair value of each reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the Company performs the second step of the goodwill impairment test to determine the amount of the impairment loss. The second step of the impairment test involves comparing the implied fair value of the reporting unit's goodwill with its carrying amount to measure the amount of impairment loss, if any. The Company's impairment test is based on its single operating segment and reporting unit structure. For the years ended December 31, 2013 and 2012, there was no impairment loss.

Stock-based compensation and other stock-based payments

We account for all stock options and warrants using a fair value-based method. The fair value of each stock option and warrant granted is estimated on the date of the grant using the Black-Scholes-Merton option pricing model and the related stock-based compensation expense is recognized over the expected life of the stock option or warrant. The fair value of the warrants granted to non-employees is measured and expensed as the warrants vest.

Restricted stock awards give the holder the right to one share of common stock for each vested share of restricted stock. These awards vest on a yearly basis over a four-year vesting period. Stock-based compensation expense is recorded based on the market value of the common stock on the grant date and recognized over the vesting period of these awards.

Amortization policies and useful lives

We amortize the cost of property, plant and equipment and intangible assets over the estimated useful service lives of these items. The determinations of estimated useful lives of these long-lived assets involve considerable judgment. In determining these estimates, we take into account industry trends and Company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, we reassess our existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue producing perspective. If technological change happens more quickly than anticipated, we might have to shorten our estimate of the useful life of certain equipment, which could result in higher amortization expense in future periods or an impairment charge to write down the value of this equipment.

Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax expense, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. The carrying value of our deferred tax assets is adjusted by a valuation allowance to recognize the extent to which the future tax benefits will be recognized on a more likely than not basis. Our net deferred tax liability consists primarily of indefinite lived intangibles.

We record valuation allowances in order to reduce our deferred tax assets to the amount expected to be realized. In assessing the adequacy of recorded valuation allowances, we consider a variety of factors, including the scheduled reversal of deferred tax liabilities, future taxable income, and prudent and feasible tax planning strategies. Under the relevant accounting guidance, factors such as current and previous operating losses are given significantly greater weight than the outlook for future profitability in determining the deferred tax asset carrying value.

Relevant accounting guidance addresses how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under such guidance, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such uncertain tax positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to include this information in our Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

Financial statements are attached hereto beginning with page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to the company’s management as appropriate to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer, with the assistance of other members of our management, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2013 (the “Evaluation”). Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) were effective as of December 31, 2013.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate “internal control over financial reporting” (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Management evaluates the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission *Internal Control - Integrated Framework* (1992). Our Chief Executive Officer and Chief Financial Officer, with the assistance of other members of our management, assessed the effectiveness of our internal control over financial reporting as of December 31, 2013, and concluded that it is effective.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management’s annual report on internal control over financial reporting was not subject to attestation by the Company’s independent registered public accounting firm pursuant to an exemption for smaller reporting companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Changes in Internal Control Over Financial Reporting

During the fiscal quarter ended December 31, 2013, no change in our internal control over financial reporting has been identified that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item regarding executive officers is incorporated herein by reference to the section titled “Executive Officers” in Item 1 of this Annual Report on Form 10-K. The other information required by this item is incorporated herein by reference to the section titled “PROPOSAL 1 – Election of Directors” of the proxy statement for our Annual Meeting of Stockholders scheduled to be held on or about June 5, 2014. Definitive proxy materials will be filed with the SEC pursuant to Regulation 14A no later than April 30, 2014.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the section titled “STATEMENT OF EXECUTIVE COMPENSATION” of the proxy statement for our Annual Meeting of Stockholders scheduled to be held on or about June 5, 2014. Definitive proxy materials will be filed with the SEC pursuant to Regulation 14A no later than April 30, 2014.

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

The information required by this item related to securities authorized for issuance under our equity compensation plans is incorporated herein by reference to the section titled “Equity Compensation Plan Information” under Item 5 of this Annual Report on Form 10-K.

The information required by this item related to security ownership of certain beneficial owners is incorporated herein by reference to the section titled “SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT” of the proxy statement for our Annual Meeting of Stockholders scheduled to be held on or about June 5, 2014. Definitive proxy materials will be filed with the SEC pursuant to Regulation 14A no later than April 30, 2014.

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

The information required by this item is incorporated herein by reference to the sections titled “SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT – Certain Relationships and Related Transactions” and “CORPORATE GOVERNANCE MATTERS – Independence of Directors” of the proxy statement for our Annual Meeting of Stockholders scheduled to be held on or about June 5, 2014. Definitive proxy materials will be filed with the SEC pursuant to Regulation 14A no later than April 30, 2014.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference to the section titled “PROPOSAL 2 – RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS – Services and Fees of Independent Registered Public Accountants” of the proxy statement for our Annual Meeting of Stockholders scheduled to be held on or about June 5, 2014. Definitive proxy materials will be filed with the SEC pursuant to Regulation 14A no later than April 30, 2014.

PART IV

Item 15. Exhibits, Financial Statement Schedules

- | | | |
|-----|-----|---|
| (a) | (1) | Financial Statements
Consolidated Balance Sheets
Consolidated Statements of Operations and Comprehensive Loss
Consolidated Statements of Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements |
| | (2) | Financial Statement Schedules
None. |

(b) Exhibits

The following exhibits are filed as part of this report:

Exhibit No.	Description
2.1	Share Exchange Agreement dated as of August 12, 2010 by and among NeuLion, Inc., AvantaLion LLC and Wang Yunchuan, Hao Jingfang, Wang Qi, Tan Zhongjun, Wang Xiaohong, Shu Wei, and Zhao Yun (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed August 18, 2010)
3.1	Certificate of Domestication (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 6, 2010)
3.2	Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K/A filed February 18, 2011)
3.3	By-laws (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed December 6, 2010)
3.4	Certificate of Amendment to the Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed June 9, 2011)
3.5	Certificate of Designation for Class 4 Preference Shares (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 1, 2011)
4.1	Form of stock specimen (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed December 6, 2010)
4.2	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed September 28, 2012)
4.3	Warrant Certificate, dated September 25, 2012, issued to D&D Securities (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed September 28, 2012)
4.4	Convertible Note, dated September 25, 2012, in favor of Charles B. Wang (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed September 28, 2012)
9.1	Voting Trust Agreement, dated as of October 20, 2008, among Charles B. Wang, Nancy Li, AvantaLion LLC, Jianbing Duan, Computershare Trust Company of Canada and JumpTV Inc. (incorporated by reference to Exhibit 9 to the Company's Registration Statement on Form 10 filed April 9, 2009)
9.2	Amendment to Voting Trust Agreement, dated as of December 19, 2012, among Charles B. Wang, Nancy Li, AvantaLion LLC, Jianbing Duan, Computershare Trust Company of Canada, Charles B. Wang Multigenerational 2012 Trust and NeuLion, Inc. (incorporated by reference to Exhibit 3 to the Schedule 13D/A for Charles B. Wang filed February 13, 2013)
10.1 #	Employment Agreement, dated as of June 1, 2006, between JumpTV Inc. and G. Scott Paterson (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form 10, filed April 9, 2009)
10.2 #	Fourth Amended and Restated Stock Option Plan, as amended (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 12, 2013)
10.3 #	2006 Stock Appreciation Rights Plan, as amended (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 5, 2010)
10.4 #	Amended and Restated Retention Warrants Plan, as amended (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 5, 2010)

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10.5 #	Restricted Share Plan, as amended (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 5, 2010)
10.6 #	Amended and Restated Directors' Compensation Plan, as amended (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 5, 2012)
10.7 #	Employee Share Purchase Plan (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form 10, filed April 9, 2009)
10.8 #	Form of Rights Agreement under the 2006 Stock Appreciation Rights Plan (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form 10, filed April 9, 2009)
10.9	Contract for Services, dated as of June 1, 2008, between KyLin TV, Inc. and NeuLion, Inc. (portions of this exhibit have been omitted pursuant to a request for confidential treatment on file with the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed August 3, 2012)
10.10	License Agreement, dated as of June 1, 2006, between NeuLion, Inc. and ABS-CBN Global Limited (portions of this exhibit have been omitted pursuant to a request for confidential treatment on file with the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.22 to Amendment No. 3 to the Company's Registration Statement on Form 10, filed June 23, 2009)
10.11	Contract for Services, dated as of June 22, 2007, between Sky Angel U.S., LLC and NeuLion, Inc. (portions of this exhibit have been omitted pursuant to a request for confidential treatment on file with the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form 10, filed June 23, 2009)
10.12	Amendment to that Certain "Contract for Services" Agreement dated June 22, 2007 by and between Sky Angel U.S. LLC and NeuLion, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 2, 2010)
10.13	Digital Media and Technology Agreement, effective as of October 1, 2010, between NHL Interactive CyberEnterprises, LLC and NeuLion, Inc. (portions of this exhibit have been omitted pursuant to a request for confidential treatment on file with the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 21, 2011)
10.14	Subscription Agreement dated as of June 29, 2011 between NeuLion, Inc. and JK&B Capital V, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 1, 2011)
10.15	Subscription Agreement dated as of June 29, 2011 between NeuLion, Inc. and JK&B Capital V Special Opportunity Fund, L.P. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed July 1, 2011)
10.16	Registration Rights Agreement dated as of June 29, 2011 among JK&B Capital V Special Opportunity Fund, L.P., JK&B Capital V, L.P. and NeuLion, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed July 1, 2011)
10.17 #	NeuLion, Inc. 2012 Omnibus Securities and Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 5, 2012)
10.18	Amendment 1 to Contract for Services dated as of July 13, 2012, by and between NeuLion, Inc. and KyLin TV, Inc. (portions of this exhibit have been omitted pursuant to a request for confidential treatment on file with the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed October 10, 2012)
10.19	Form of Subscription Agreement (U.S. Subscribers - Non-Brokered) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 28, 2012)
10.20	Form of Subscription Agreement (Canadian Subscribers - Brokered) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 28, 2012)

10.21	Form of Subscriptions Agreement (Canadian Subscribers - Non-Brokered) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 28, 2012)
10.22	Second Amendment, dated as of July 15, 2010, to that certain Contract for Service dated June 22, 2007 by and between NeuLion, Inc. and Sky Angel U.S., LLC (portions of this exhibit have been omitted pursuant to a request for confidential treatment made to the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 20, 2012)
10.23	Third Amendment, dated as of September 30, 2011, to that certain Contract for Service dated June 22, 2007 by and between NeuLion, Inc. and Sky Angel U.S., LLC (portions of this exhibit have been omitted pursuant to a request for confidential treatment made to the Securities and Exchange Commission) (portions of this exhibit have been omitted pursuant to a request for confidential treatment made to the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 20, 2012)
10.24	Amendment Four, dated as of October 30, 2012, to that certain Contract for Service dated June 22, 2007 by and between NeuLion, Inc. and Sky Angel U.S., LLC (portions of this exhibit have been omitted pursuant to a request for confidential treatment made to the Securities and Exchange Commission) (portions of this exhibit have been omitted pursuant to a request for confidential treatment made to the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 20, 2012)
16	Letter, dated June 22, 2012, from Ernst & Young LLP to the Securities and Exchange Commission (incorporated by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K filed June 22, 2012)
21*	Subsidiaries
31.1*	Certification of the Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Exchange Act
31.2*	Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Exchange Act
32*	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

Management contract or compensatory plan or arrangements

* Filed herewith

** Furnished herewith. As provided in Rule 406T of Regulation S-T, this information shall not be deemed "filed" for purposes of Section 11 and 12 of the Securities Act and Section 18 of the Exchange Act or otherwise subject to liability under those sections, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act except as expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEULION, INC.

March 12, 2014

By: /s/ Nancy Li
Name: Nancy Li
Title: Chief Executive Officer
(Principal Executive Officer)

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

Signature	Capacity	Date
<u>/s/ Charles B. Wang</u> Charles B. Wang	Chairman of the Board and Director	March 12, 2014
<u>/s/ Nancy Li</u> Nancy Li	Chief Executive Officer and Director (Principal Executive Officer)	March 12, 2014
<u>/s/ G. Scott Paterson</u> G. Scott Paterson	Vice Chairman of the Board and Director	March 12, 2014
<u>/s/ Arthur J. McCarthy</u> Arthur J. McCarthy	Chief Financial Officer (Principal Financial and Accounting Officer)	March 12, 2014
<u>/s/ Roy E. Reichbach</u> Roy E. Reichbach	General Counsel, Corporate Secretary and Director	March 12, 2014
<u>/s/ John R. Anderson</u> John R. Anderson	Director	March 12, 2014
<u>/s/ Gabriel A. Battista</u> Gabriel A. Battista	Director	March 12, 2014
<u>/s/ Shirley Strum Kenny</u> Shirley Strum Kenny	Director	March 12, 2014
<u>/s/ David Kronfeld</u> David Kronfeld	Director	March 12, 2014

NeuLion, Inc.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
NeuLion, Inc.

We have audited the accompanying consolidated balance sheets of NeuLion, Inc. (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive loss, equity, and cash flows for each of the years in the two-year period ended December 31, 2013. The financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NeuLion, Inc. as of December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ EisnerAmper LLP

New York, New York
March 12, 2014

NEULION, INC.

CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. dollars, unless otherwise noted)

	As of December 31,	
	2013	2012
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	19,644,270	11,108,107
Accounts receivable, net	5,289,136	4,193,949
Other receivables	364,797	348,891
Inventory	481,012	416,541
Prepaid expenses and deposits	1,135,949	1,185,051
Due from related parties	243,842	899,967
Total current assets	27,159,006	18,152,506
Property, plant and equipment, net	3,357,626	3,446,648
Intangible assets, net	1,649,959	4,015,301
Goodwill	11,327,626	11,327,626
Other assets	81,778	161,913
Total assets	43,575,995	37,103,994
LIABILITIES AND EQUITY		
Current		
Accounts payable	13,002,104	9,813,237
Accrued liabilities	5,338,418	4,766,668
Due to related parties	16,743	12,282
Deferred revenue	8,856,629	5,715,102
Convertible note, net of discount	—	320,560
Total current liabilities	27,213,894	20,627,849
Long-term deferred revenue	725,853	1,134,075
Other long-term liabilities	270,892	357,852
Deferred tax liability	1,180,978	911,978
Total liabilities	29,391,617	23,031,754
Redeemable preferred stock, net (par value: \$0.01; authorized: 50,000,000; issued and outstanding: 28,089,083)		
Class 3 Preference Shares (par value: \$0.01; authorized: 17,176,818; issued and outstanding: 17,176,818)	10,000,000	10,000,000
Class 4 Preference Shares (par value: \$0.01; authorized: 10,912,265; issued and outstanding: 10,912,265)	4,924,775	4,894,683
Total redeemable preferred stock	14,924,775	14,894,683
Stockholders' deficit		
Common stock (par value: \$0.01; authorized: 300,000,000; issued and outstanding: 170,326,338 and 164,207,147, respectively)	1,703,263	1,642,072
Additional paid-in capital	85,437,337	83,138,137
Promissory notes receivable	(209,250)	(209,250)
Accumulated deficit	(87,671,747)	(85,393,402)
Total shareholders' deficit	(740,397)	(822,443)
Total liabilities and shareholders' deficit	43,575,995	37,103,994

See accompanying notes

NEULION, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS

(Expressed in U.S. dollars, unless otherwise noted)

	<u>Years ended December 31,</u>	
	2013	2012
	\$	\$
Revenue		
Services revenue	46,257,712	37,178,431
Equipment revenue	849,466	1,804,495
	47,107,178	38,982,926
Costs and Expenses		
Cost of services revenue, exclusive of depreciation and amortization shown separately below	12,697,104	12,280,658
Cost of equipment revenue	581,959	1,413,760
Selling, general and administrative, including stock-based compensation	24,289,845	23,541,296
Research and development	7,422,802	6,672,778
Depreciation and amortization	3,755,054	4,407,474
	48,746,764	48,315,966
Operating loss	(1,639,586)	(9,333,040)
Other income (expense)		
Loss on foreign exchange	(125,657)	(56,244)
Interest, net	(2,487)	1,326
Discount on convertible note	(233,769)	(77,922)
	(361,913)	(132,840)
Net and comprehensive loss before income taxes	(2,001,499)	(9,465,880)
Provision for income taxes	(276,846)	(612,884)
Net and comprehensive loss	(2,278,345)	(10,078,764)
Net loss per weighted average number of shares of common stock outstanding - basic and diluted	\$ (0.01)	\$ (0.07)
Weighted average number of shares of common stock outstanding - basic and diluted	166,663,448	146,899,685

See accompanying notes

NEULION, INC.

CONSOLIDATED STATEMENTS OF EQUITY
(Expressed in U.S. dollars, unless otherwise noted)

	Common stock		Additional paid-in capital	Promissory Notes	Accumulated deficit	Total equity
	#	\$	\$	\$	\$	\$
Balance, December 31, 2011	140,012,310	1,400,122	77,257,524	(209,250)	(75,314,638)	3,133,758
Accretion of issuance costs on Class 4 Preference Shares	—	—	(30,092)	—	—	(30,092)
Stock-based compensation:						
Issuance of common stock under Directors' Compensation Plan	787,163	7,872	83,211	—	—	91,083
Issuance of restricted stock	625,000	6,250	(39,318)	—	—	(33,068)
Stock options, warrants and other compensation	—	—	1,583,829	—	—	1,583,829
Private placement	22,782,674	227,828	3,971,293	—	—	4,199,121
Discount on convertible note	—	—	311,690	—	—	311,690
Net loss	—	—	—	—	(10,078,764)	(10,078,764)
Balance, December 31, 2012	164,207,147	1,642,072	83,138,137	(209,250)	(85,393,402)	(822,443)
Accretion of issuance costs on Class 4 Preference Shares	—	—	(30,092)	—	—	(30,092)
Conversion of convertible note	2,841,600	28,416	539,906	—	—	568,322
Exercise of broker warrants	8,000	80	1,600	—	—	1,680
Exercise of subscriber warrants	1,044,427	10,443	(10,443)	—	—	—
Exercise of stock options	929,920	9,299	344,692	—	—	353,991
Stock-based compensation:						
Issuance of common stock under Directors' Compensation Plan	295,244	2,953	139,547	—	—	142,500
Issuance of unrestricted stock under 2012 Omnibus Securities and Incentive Plan	1,000,000	10,000	444,396	—	—	454,396
Stock options, warrants and other compensation	—	—	869,594	—	—	869,594
Net loss	—	—	—	—	(2,278,345)	(2,278,345)
Balance, December 31, 2013	170,326,338	1,703,263	85,437,337	(209,250)	(87,671,747)	(740,397)

See accompanying notes

NEULION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. dollars, unless otherwise noted)

	<u>Years ended December 31,</u>	
	2013	2012
	\$	\$
OPERATING ACTIVITIES		
Consolidated net loss	(2,278,345)	(10,078,764)
Adjustments to reconcile net loss to cash provided by (used in) operating activities		
Depreciation and amortization	3,755,054	4,407,474
Discount on convertible note	233,769	77,922
Stock-based compensation	1,416,892	1,627,231
Income taxes	269,000	612,884
Changes in operating assets and liabilities		
Accounts receivable	(1,095,187)	(699,872)
Inventory	(64,471)	380,895
Prepaid expenses, deposits and other assets	129,237	68,613
Other receivables	(15,906)	(39,127)
Due from related parties	656,125	(165,515)
Accounts payable	3,188,867	215,878
Accrued liabilities	635,341	(524,327)
Deferred revenue	2,733,305	(684,793)
Long-term liabilities	(86,960)	(74,307)
Due to related parties	4,461	(1,016)
Cash provided by (used in) operating activities	9,481,182	(4,876,824)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(1,300,690)	(1,106,700)
Cash used in investing activities	(1,300,690)	(1,106,700)
FINANCING ACTIVITIES		
Exercise of stock options	353,991	—
Exercise of broker warrants	1,680	—
Convertible note	—	545,628
Private placement, net	—	4,199,121
Cash provided by financing activities	355,671	4,744,749
Net increase (decrease) in cash and cash equivalents during the year	8,536,163	(1,238,775)
Cash and cash equivalents, beginning of year	11,108,107	12,346,882
Cash and cash equivalents, end of year	19,644,270	11,108,107

See accompanying notes

NEULION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. dollars, unless otherwise noted)

December 31, 2013 and 2012

1. Nature of Operations

NeuLion, Inc. (“NeuLion” or the “Company”) is a technology service provider that specializes in the digital video broadcasting, distribution and monetization of live and on-demand content to Internet-enabled devices. Through the Company’s cloud-based end-to-end solution, the Company builds and manages interactive digital networks that enable the Company’s customers to provide a destination for their viewers to view and interact with their content. The Company was incorporated on January 14, 2000 under the Canada Business Corporations Act and was domesticated under Delaware law on November 30, 2010. The Company’s common stock is listed on the Toronto Stock Exchange (“TSX”) under the symbol NLN.

The Company’s core business and business model have evolved from being a provider of professional information technology services and international programming to a provider of customized, end-to-end, interactive content services for a wide range of professional and collegiate sports properties, cable networks and operators, content owners and distributors, and telecommunication companies. With a fundamental shift in the way media is now being consumed, technological advancements are affecting how, when and where consumers connect to content. NeuLion’s technology enables our customers to capitalize on the growing consumer demand for viewing interactive content on multiple types of Internet-enabled devices by enabling the delivery of content to a range of these devices, such as PCs, smartphones and tablets, and by also providing NeuLion customers with a technology platform to manage their content. Our cloud-based technology platform offers a variety of digital technology and services, including content ingestion, live encoding, live video editing, advertising insertion and management, pay flow and premium content payment support, video player software development kits, multi-platform device delivery, content management, subscriber management, digital rights management, billing services, app development, website design, analytics and reporting.

2. Basis of Presentation and Significant Accounting Policies

The accompanying consolidated financial statements reflect the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries and have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”). As at December 31, 2013, the Company had an 11.8% equity interest in KyLin TV (2012 – 11.8%). This investment is accounted for using the equity method of accounting. All significant intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates made by management include the determination of the useful lives of long-lived assets, impairment of intangible assets and goodwill, inventory obsolescence, assumptions used in stock-based compensation and the allowance for doubtful accounts. On an ongoing basis, management reviews its estimates to ensure they appropriately reflect changes in the Company’s business and new information as it becomes available. If historical experience and other factors used by management to make these estimates do not reasonably reflect future actual results, the Company’s consolidated financial position and results of operations could be materially impacted.

NEULION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. dollars, unless otherwise noted)

December 31, 2013 and 2012

Revenue recognition

The Company earns revenue as follows:

(i) Services Revenue

Services revenue consists of the following:

- (a) Setup fees are charged to customers for design, setup and implementation services. Setup fees are deferred at the beginning of the service period and recognized over the term of the arrangement, which is generally three to five years.
- (b) Annual and/or monthly fees are charged to customers for ongoing hosting, support and maintenance. Annual hosting fees are deferred at the beginning of the service period and recognized evenly over the service period.
- (c) Subscription revenue consists of recurring revenue based on the number of subscribers. The subscriber revenue is typically generated on a monthly, quarterly or annual basis and can be a fixed fee per user, a variable fee per user or a variable fee based on a percentage of the subscription price. The Company defers the appropriate portion of cash received for the services that have not yet been rendered and recognizes the revenue over the term of the subscription, which is generally between thirty days and one year. Pay-per-view revenues are deferred and recognized in the period when the content is viewed. Subscription revenues are recorded on either a gross or net basis depending on the services provided to the customer. Where subscription revenues are recorded on a gross basis, the total amount of the subscription is deferred and recognized over the subscription term and the share of revenue owing to our customer is deferred and recognized as a cost of revenue over the term of the subscription. Where subscription revenues are recorded on a net basis, only the Company's share of revenue from the subscription is deferred and recognized over the term of the subscription.
- (d) eCommerce revenues are earned through providing customers with ticketing and retail merchandising web solutions. eCommerce revenues are recorded on a net basis when the service has been provided. The Company records as revenue the portion of the fees they are entitled to as opposed to the amount billed for tickets or retail merchandise sold.
- (e) Advertising revenues are earned through the insertion of advertising impressions on websites and in streaming video at a cost per thousand impressions. Advertising revenue is recognized based on the number of impressions displayed ("served") during the period. Deferred revenue for advertising represents the timing difference between collection of advertising revenue and when the advertisements are served, which is typically between thirty and ninety days. Advertising revenues are recorded on a gross basis, whereby the total amount billed to the advertiser is recorded as revenue and the share of revenue owing to our customer is recorded as a cost of revenue.
- (f) Support revenues are earned for providing customer support to our customers' end users. Support fees are recognized evenly over the service period.
- (g) Usage fees are charged to customers for bandwidth and storage. Usage fees are billed on a monthly or quarterly basis and are recognized as the service is being provided.

(ii) Equipment Revenue

Equipment revenue consists of the sale and rental of set-top boxes ("STBs") to content partners and/or end users to enable the end user to receive content over the Internet and display the signal on a standard television. Shipping charges are included in total equipment revenue. Revenue is recognized generally upon shipment to the customer. The customer does not have any right of return on STBs.

Revenue is recognized when persuasive evidence of an arrangement exists, prices are determinable, collectability is reasonably assured and the goods or services have been delivered. If any of these criteria are not met, revenue is deferred until such time as all of the criteria are met.

NEULION, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. dollars, unless otherwise noted)

December 31, 2013 and 2012

Effective January 1, 2011, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update No. 2009-13, “Multiple-Deliverable Revenue Arrangements” (“ASU No. 2009-13”) and Accounting Standards Update No. 2009-14, “Certain Revenue Arrangements That Include Software Elements” (“ASU No. 2009-14”). ASU No. 2009-13 amends guidance included within ASC Topic 605-25 to require an entity to use an estimated selling price when vendor specific objective evidence (“VSOE”) or acceptable third party evidence does not exist for any products or services included in a multiple element arrangement. The arrangement consideration is allocated among the products and services based upon their relative selling prices, thus eliminating the use of the residual method of allocation. ASU No. 2009-13 also requires expanded qualitative and quantitative disclosures regarding significant judgments made and changes in applying this guidance. ASU No. 2009-14 amends guidance included within ASC Topic 985-605 to exclude tangible products containing software components and non-software components that function together to deliver the product's essential functionality. Entities that sell joint hardware and software products that meet this scope exception will be required to follow the guidance of ASU No. 2009-13. The adoption of the provisions of ASU No. 2009-13 and ASU No. 2009-14 did not materially impact the Company's consolidated financial position or results of operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments, such as money market funds, that have original maturities of less than three months.

Accounts receivable

Accounts receivable are carried at original invoice amount. The Company maintains a provision for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness; past transaction history with the customer; current economic industry trends; and changes in customer payment terms. If the financial conditions of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2013 and 2012, the allowance for doubtful accounts was \$105,292 and \$85,882, respectively.

Inventory

Inventory consists of set-top boxes and parts for set-top boxes. Inventories are recorded at the lower of cost and net realizable value. Cost is accounted for on a first-in, first-out basis. The Company evaluates its ending inventories for estimated excess quantities and obsolescence. This evaluation includes analyses of sales levels and projections of future demand within specific time horizons. Inventories in excess of future demand are reserved. In addition, the Company assesses the impact of changing technology and market conditions on its inventory-on-hand and writes off inventories that are considered obsolete.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Computer hardware	5 years
Computer software	3 years
Furniture and fixtures	7 years
Vehicles	5 years
Leasehold improvements	Shorter of useful life and lease term

NEULION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. dollars, unless otherwise noted)

December 31, 2013 and 2012

The Company reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If these future undiscounted cash flows are less than the carrying value of the asset, then the carrying amount of the asset is written down to its fair value, based on the related estimated discounted future cash flows. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property, plant and equipment are used and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, no impairment was recorded for the years ended December 31, 2013 and 2012.

Intangible assets

Intangible assets are recorded at cost less amortization. Cost for intangible assets acquired through business combinations represents their fair market value at the date of acquisition. Amortization is calculated using the straight-line method over the estimated useful lives of the intangible assets, which are as follows:

Customer relationships	5-7 years
Completed technology	5 years
Trademarks	1 year

The Company reviews the carrying value of its definite lived intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If these future undiscounted cash flows are less than the carrying value of the asset, then the carrying amount of the asset is written down to its fair value, based on the related estimated discounted future cash flows. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the intangible assets are used and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, no impairment was recorded for the years ended December 31, 2013 and 2012.

Goodwill

Goodwill represents the excess, at the date of acquisition, of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is subject to an annual impairment test at the reporting unit level and between annual tests if changes in circumstances indicate a potential impairment. The Company performs an annual goodwill impairment test as of October 1 of each calendar year. Goodwill impairment is assessed based on a comparison of the fair value of each reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the Company performs the second step of the goodwill impairment test to determine the amount of the impairment loss. The second step of the impairment test involves comparing the implied fair value of the reporting unit's goodwill with its carrying amount to measure the amount of impairment loss, if any. The Company's impairment test was based on its single operating segment and reporting unit structure. For the years ended December 31, 2013 and 2012, there was no impairment loss.

Investment in affiliate

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Company exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, representation on the investee's board of directors and voting rights. Under the equity method of accounting, an investee's accounts are not reflected within the Company's consolidated balance sheets and statements of operations and comprehensive loss; however, the Company's share of the losses of the investee company is reflected under the caption "Equity in loss of affiliate" in the consolidated statements of operations and comprehensive loss. Due to KyLin TV's accumulated losses, the Company's investment in KyLin TV was reduced to zero as at December 31, 2008. No further charges will be recorded because the Company has no obligation to fund the losses of KyLin TV. If KyLyn TV becomes profitable in the future, the Company will resume applying the equity method only after its share of that net income equals the Company's share of net losses not recognized during the period the equity method was suspended.

NEULION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. dollars, unless otherwise noted)

December 31, 2013 and 2012

Income taxes

Income taxes are accounted for under the provisions of ASC Topic 740, "Income Taxes Recognition" ("ASC 740"). ASC 740 requires that income tax accounts be computed using the liability method. Deferred taxes are determined based upon the estimated future tax effects of differences between the financial reporting and tax reporting bases of assets and liabilities given the provisions of currently enacted tax laws.

ASC 740 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is recognized at the largest amount of the benefit that has a greater-than-fifty-percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance for classification, interest and penalties, accounting in interim periods, disclosure, and transition. ASC 740 requires that a liability created for unrecognized tax benefits be presented as a separate liability and not combined with deferred tax liabilities or assets.

The Company operates in a number of countries worldwide. Its income tax liability is therefore a consolidation of its tax liabilities in various locations. Its tax rate is affected by the profitability of its operations in various locations, the tax rates and taxation systems of the countries in which the Company operates, its tax policies and the impact of certain tax planning strategies which have been implemented.

To determine its worldwide tax liability, the Company makes estimates of possible tax liabilities. Tax filings, positions and strategies are subject to review under local or international tax audit and the outcomes of such reviews are uncertain. In addition, these audits generally take place years after the period in which the tax provision in question was provided and it may take a substantial amount of time before the final outcome of any audit is known. Future tax audits could differ materially from the amounts recorded in our financial statements.

A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company has recorded substantial tax losses over the years; therefore, a full valuation allowance has been recorded against all net deferred tax assets at December 31, 2013 and 2012.

Foreign currency transactions

The functional currency of the Company is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies are re-measured into U.S. dollars at exchange rates in effect at the balance sheet dates. These transactional foreign exchange gains or losses are included in the consolidated statements of operations and comprehensive loss.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other receivables, due from/to related parties, accounts payable and accrued liabilities, which are primarily denominated in U.S. dollars. The carrying amounts of such instruments approximate their fair values principally due to the short-term nature of these items. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate, currency or credit risk arising from these financial instruments.

With respect to accounts receivable, the Company is exposed to credit risk arising from the potential for counterparties to default on their contractual obligations to the Company. The Company controls credit risk through credit approvals, credit limits and monitoring procedures. The Company performs credit evaluations on its customers, but generally does not require collateral to support accounts receivable. The Company establishes an allowance for doubtful accounts that corresponds with the specific credit risk of its customers, historical trends and economic circumstances.

NEULION, INC.

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Research and Development

Costs incurred for research and development are expensed as incurred and are included in the consolidated statements of operations and comprehensive loss.

Advertising

Advertising costs are expensed as incurred and totaled \$325,157 and \$390,994 for the years ended December 31, 2013 and 2012, respectively, and are included in selling, general and administrative expenses on the consolidated statements of operations and comprehensive loss.

Stock-based compensation and other stock-based payments

The Company accounts for all stock options and warrants using a fair value-based method. The fair value of each stock option and warrant granted to employees is estimated on the date of the grant using the Black-Scholes-Merton option pricing model and the related stock-based compensation expense is recognized over the expected life. The fair value of the warrants granted to non-employees is measured and expensed as the warrants vest.

Restricted stock awards give the holder the right to one share of common stock for each vested share of restricted stock. These awards vest on an annual basis over a four-year vesting period. Stock-based compensation expense is recorded based on the market value of the common stock on the grant date and recognized over the vesting period of these awards.

3. Inventory

Inventory consists of the following:

	December 31, 2013 \$	December 31, 2012 \$
Raw materials	18,421	113,322
Finished goods	462,591	303,219
	481,012	416,541

4. Property, Plant and Equipment

The details of property, plant and equipment and the related accumulated depreciation are set forth below:

	December 31, 2013		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer hardware	12,162,905	9,036,118	3,126,787
Computer software	4,440,256	4,393,052	47,204
Vehicles	58,475	58,475	—
Furniture and fixtures	339,733	223,561	116,172
Leasehold improvements	160,256	92,793	67,463
	17,161,625	13,803,999	3,357,626

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	December 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer hardware	11,014,139	7,844,956	3,169,183
Computer software	4,418,687	4,360,602	58,085
Vehicles	58,475	50,833	7,642
Furniture and fixtures	329,227	189,160	140,067
Leasehold improvements	128,865	57,194	71,671
	15,949,393	12,502,745	3,446,648

Depreciation expense for the years ended December 31, 2013 and 2012 was \$1,389,712 and \$1,813,335, respectively.

5. Goodwill and Intangible Assets

The change in the net carrying amount of goodwill is set forth below:

	\$
Balance – December 31, 2013 and 2012	11,327,626

The details of intangible assets and the related accumulated amortization are set forth below:

	December 31, 2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Customer relationships	11,503,000	10,413,041	1,089,959
Completed technology	1,600,000	1,040,000	560,000
Trademarks	295,000	295,000	—
	13,398,000	11,748,041	1,649,959

	December 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Customer relationships	11,503,000	8,367,699	3,135,301
Completed technology	1,600,000	720,000	880,000
Trademarks	295,000	295,000	—
	13,398,000	9,382,699	4,015,301

Amortization expense for the years ended December 31, 2013 and 2012 was \$2,365,342 and \$2,594,164, respectively. The weighted-average life remaining on these intangibles assets is 1.5 years.

Based on the amount of intangible assets subject to amortization, the Company's estimated amortization expense over the next five years is as follows:

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	\$
2014	1,243,781
2015	300,429
2016	60,429
2017	45,320
2018	—

6. Economic Dependence and Concentration of Credit Risk

For the years ended December 31, 2013 and 2012, the same customer accounted for 20% and 13% of revenue, respectively.

As at December 31, 2013, two customers accounted for 26% of accounts receivable: 14% and 12%. As at December 31, 2012, two customers accounted for 37% of accounts receivable: 24% and 13%.

As at December 31, 2013, two customers accounted for 60% of accounts payable: 47% and 13%. As at December 31, 2012, the same two customers accounted for 53% of accounts payable: 36% and 17%.

At December 31, 2013, approximately 92% of the Company's cash and cash equivalents were held in accounts with U.S. banks that received a BBB+ rating from Standard and Poor's and an A3 rating from Moody's.

7. Related Party Transactions

The Company has entered into certain transactions and agreements in the normal course of operations with related parties. Significant related party transactions are as follows:

KyLinTV

KyLin TV is an IPTV company that is controlled by the Chairman of the Board of Directors of the Company. On June 1, 2008, the Company entered into an agreement with KyLin TV to build and deliver the setup and back office operations for KyLin TV's IPTV service. Effective April 1, 2012, the Company amended its agreement with KyLin TV, such that, in addition to the services previously provided, KyLin TV was appointed the exclusive distributor of the Company's business to consumer ("B2C") IPTV interests. As exclusive distributor, KyLin TV obtains, advertises and markets all of the Company's B2C content, in accordance with the terms of the amendment. Accordingly, KyLin TV records the gross revenues from the Company's B2C content as well as the associated license fees, whereas the Company records revenues in accordance with the revised fee schedule in the amendment. The Company also provides and charges KyLin TV for administrative and general corporate support. For each of the periods presented, the amounts charged for these services provided by the Company for the years ended December 31, 2013 and 2012 were \$253,837 and \$321,809, respectively, and are recorded as a recovery in selling, general and administrative expense. Additionally, the Company purchased set-top boxes from KyLin TV. For each of the periods presented, the amounts paid for this equipment for the years ended December 31, 2013 and 2012 were \$169,500 and \$0, respectively.

New York Islanders Hockey Club, L.P. ("New York Islanders")

The Company provides IT-related professional services and administrative services to the New York Islanders, a professional hockey club that is owned by the Chairman of the Board of Directors of the Company.

Renaissance Property Associates, LLC ("Renaissance")

The Company provides IT-related professional services to Renaissance, a real estate management company owned by the Chairman of the Board of Directors of the Company. In June 2009, the Company signed a sublease agreement with Renaissance for office space in Plainview, New York. The sublease agreement expired in December 2013, and the Company is now leasing their office month-to-month. Rent expense paid by the Company to Renaissance of \$430,344 and \$420,496, inclusive of taxes and utilities, is included in selling, general and administrative expense for the years ended December 31, 2013 and 2012, respectively.

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Smile Train, Inc. (“Smile Train”)

The Company provides IT-related professional services to Smile Train, a public charity whose founder and significant benefactor is the Chairman of the Board of Directors of the Company.

The Company recognized revenue from related parties for the years ended December 31 as follows:

	December 31, 2013 \$	December 31, 2012 \$
New York Islanders	311,303	285,735
Renaissance	120,000	120,000
Smile Train	96,000	108,000
KyLinTV	1,705,505	2,416,214
	2,232,808	2,929,949

As at December 31, 2013 and 2012, the amounts due from (to) related parties are as follows:

	December 31, 2013 \$	December 31, 2012 \$
New York Islanders	(16,743)	(12,282)
Renaissance	931	2,992
KyLinTV	242,911	896,975
	227,099	887,685

Investment in affiliate – KyLinTV

The Company records its investment in KyLinTV using the equity method.

From January 1, 2008 through February 26, 2010, the Company’s equity interest in KyLinTV was 17.1%. On February 26, 2010, a group of private investors invested \$10.0 million in KyLinTV, which reduced the Company’s equity interest to 11.8%. Of the total \$10.0 million investment, \$1.0 million was invested by AvantaLion LLC, a company controlled by the Chairman of the Board of Directors of the Company. Management has determined that, as a result of the 11.8% equity interest combined with the services that the Company provides KyLinTV, the Company continues to have significant influence on the operating activities of KyLinTV; therefore, the Company continues to account for its investment in KyLinTV using the equity method. As previously discussed, the Company also provides and charges KyLinTV for administrative and general corporate support.

The Company’s proportionate share of the equity loss from KyLinTV has been accounted for as a charge on the Company’s consolidated statements of operations and comprehensive loss. Due to KyLinTV’s accumulated losses, the investment was reduced to zero as at December 31, 2008. No further charges will be recorded as the Company has no obligation to fund the losses of KyLinTV. If KyLyn TV becomes profitable in the future, the Company will resume applying the equity method only after its share of that net income equals the Company’s share of net losses not recognized during the period the equity method was suspended.

8. 401(k) Profit Sharing Plan

The Company sponsors a 401(k) Profit Sharing Plan to provide retirement and incidental benefits to its eligible employees. Employees may contribute a percentage of their annual compensation through salary reduction, subject to certain qualifications and Internal Revenue Code limitations. The Company provides for voluntary matching contributions up to certain limits. Matching contributions vest immediately.

For the years ended December 31, 2013 and 2012, the Company made aggregate matching contributions of \$436,415 and \$415,550, respectively.

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9. Redeemable Preferred Stock

The Company has 50,000,000 authorized shares of preferred stock, \$0.01 par value per share, of which 17,176,818 shares have been designated as Class 3 Preference Shares and 10,912,265 have been designated as Class 4 Preference Shares.

Class 3 Preference Shares

On September 29, 2010, the Company issued 17,176,818 Class 3 Preference Shares, at a price of CDN\$0.60 per share in a private offering, for aggregate gross proceeds of \$10,000,000. Expenses related to the share issuance were \$245,662. The principal terms of the Class 3 Preference Shares are as follows:

Voting rights – The Class 3 Preference Shares have voting rights (one vote per share) equal to those of the Company’s common stock.

Dividend rights – The Class 3 Preference Shares carry a fixed cumulative dividend, as and when declared by our Board of Directors, of 8% per annum, accrued daily, compounded annually and payable in cash upon a liquidation event for up to five years, as well as the right to receive any dividends paid to holders of common stock.

Conversion rights – The holders of the Class 3 Preference Shares have the right to convert any or all of their Class 3 Preference Shares, at the option of the holder, at any time, into common stock on a one for one basis. In addition, the Class 3 Preference Shares will automatically be converted into common stock in the event that the holders of a majority of the outstanding Class 3 Preference Shares consent to such conversion. In the event of conversion to common stock, accrued but unpaid dividends shall be paid in cash and shall not increase the number of shares of common stock issuable upon such conversion.

Redemption rights – At any time after five years from the date of issuance, the holders of a majority of the Class 3 Preference Shares may elect to have the Company redeem the Class 3 Preference Shares for an amount equal to CDN\$0.60 per Class 3 Preference Share plus all accrued and unpaid dividends (the “Class 3 Redemption Amount”). At any time after five years from the date of issuance, the Company may, at its option, redeem the Class 3 Preference Shares for an amount equal to CDN\$0.60 per Class 3 Preference Share plus all accrued and unpaid dividends.

On June 7, 2011, shareholders of the Company approved a resolution to amend the Company’s Certificate of Incorporation to change the Redemption Amount (as defined in the Certificate of Incorporation) of the Class 3 Preference Shares from CDN\$0.60 to US\$0.58218 per share, plus all accrued and unpaid dividends thereon.

Liquidation entitlement – In the event of any liquidation, dissolution or winding up of the Company, the holders of the Class 3 Preference Shares shall be entitled to receive, in preference to the holders of common stock, an amount equal to the aggregate Class 3 Redemption Amount.

Other provisions – There will be proportional adjustments for stock splits, stock dividends, recapitalizations and the like.

Accounting for Class 3 Preference Shares

If certain criteria are met, companies must bifurcate conversion options from their host instruments and account for them as free-standing derivative instruments. The Company has evaluated the conversion option on the Class 3 Preference Shares and determined that the embedded conversion option should not be bifurcated. Additionally, the Company analyzed the conversion feature and determined that the effective conversion price was higher than the market price at the date of issuance; therefore, no beneficial conversion feature was recorded. The Company has classified the Class 3 Preference Shares as temporary equity because they are redeemable upon the occurrence of an event that is not solely within the control of the issuer. As noted above, the holders of the Class 3 Preference Shares may demand redemption at any time after five years from the date of issuance. As the redemption amount was originally denominated in Canadian dollars, the Company re-measured the redeemable preferred stock amount recorded in the consolidated balance sheet each period, based on prevailing exchange rates. The resulting adjustment, along with the accretion of the issuance costs, was recorded in stockholders’ equity.

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As a result of the aforementioned change in the Class 3 Redemption Amount, from CDN\$0.60 to US\$0.58218 per share, the Company adjusted the carrying amount of the Class 3 Preference Shares on June 7, 2011 to US\$10 million.

Class 4 Preference Shares

On June 29, 2011, the Company issued 10,912,265 Class 4 Preference Shares, at a price of US\$0.4582 per share in a private offering, for aggregate gross proceeds of \$5,000,000. Expenses related to the share issuance were \$150,454. The principal terms of the Class 4 Preference Shares are as follows:

Voting rights – The Class 4 Preference Shares have voting rights (one vote per share) equal to those of the Company’s common stock.

Dividend rights – The Class 4 Preference Shares carry a fixed cumulative dividend at a rate of 8% per annum to be paid as and when declared by the Company’s Board of Directors. Notwithstanding the foregoing, such dividends are automatically payable in cash upon a liquidation event or redemption by the Company for up to five years.

Conversion rights – The holders of the Class 4 Preference Shares have the right to convert any or all of their Class 4 Preference Shares, at the option of the holder, at any time, into common stock on a one for one basis. In addition, the Class 4 Preference Shares will automatically be converted into common stock in the event that the holders of a majority of the outstanding Class 4 Preference Shares consent to such conversion. In the event of conversion to common stock, declared and accrued, but unpaid dividends shall be paid in shares of common stock based on a conversion price equal to the trading price of the common stock at the close of business on the last trading day prior to the date of conversion.

Redemption rights – At any time after five years from the date of issuance, the holders of a majority of the Class 4 Preference Shares may elect to have the Company redeem the Class 4 Preference Shares for an amount equal to \$0.4582 per Class 4 Preference Share plus all declared and accrued, but unpaid, dividends (the “Class 4 Redemption Amount”). At any time after five years from the date of issuance, the Company may, at its option, redeem the Class 4 Preference Shares for an amount equal to \$0.4582 per Class 4 Preference Share plus all accrued and unpaid dividends.

Liquidation entitlement – In the event of any liquidation, dissolution or winding up of the Company, the holders of the Class 4 Preference Shares shall be entitled to automatically receive, in preference to the holders of common stock and Class 3 Preference Shares, an amount equal to \$0.4582 per Class 4 Preference Share plus all accrued and unpaid dividends.

Other provisions – There will be proportional adjustments for stock splits, stock dividends, recapitalizations and the like.

Accounting for Class 4 Preference Shares

If certain criteria are met, companies must bifurcate conversion options from their host instruments and account for them as free-standing derivative instruments. The Company has evaluated the conversion option on the Class 4 Preference Shares and determined that the embedded conversion option should not be bifurcated. Additionally, the Company analyzed the conversion feature and determined that the effective conversion price was higher than the market price at the date of issuance; therefore, no beneficial conversion feature was recorded. The Company has classified the Class 4 Preference Shares as temporary equity because they are redeemable upon the occurrence of an event that is not solely within the control of the issuer.

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10. Private Placement and Convertible Note

On September 25, 2012, the Company completed a private placement for aggregate gross proceeds of approximately \$4.6 million. The Company sold an aggregate of 22,782,674 units at CDN\$0.20 each (the "Units"), with each Unit consisting of one share of common stock and one-half of one common stock purchase warrant ("Warrant") with each full Warrant entitling the holder thereof to purchase one share of common stock at US\$0.30 for thirty (30) months following closing (the "Offering"). The Vice Chairman of our Board of Directors purchased 1,745,000 Units in the Offering for CDN\$349,000. The Chairman of our Board of Directors purchased 2,334,500 Units in the Offering for CDN\$466,900 and loaned the Company CDN\$533,100 (evidenced by a convertible note in the amount of \$545,628). As described in more detail below, upon receipt of stockholder approval, all outstanding principal and any accrued and unpaid interest owing on the convertible note automatically converted into shares of common stock at a rate of US\$0.20 per share (the "Conversion Shares") and the number of Warrants equal to one-half of the number of Conversion Shares. If stockholder approval had not been received, all principal and interest (calculated (but not compounded) daily and payable in arrears at a rate of 6% per annum) would have been paid on the maturity date, September 25, 2013.

The agent for a portion of the subscriptions received from the Company a cash commission equal to 8% of the gross proceeds of the offering (excluding proceeds arising from Units purchased by the Chairman and Vice Chairman noted above) and broker warrants ("Broker Warrants") equal to 4% of the number of Units issued in the Offering. Each Broker Warrant is exercisable for one Unit at an exercise price of US\$0.21 per Broker Warrant ("Broker Unit") at any time prior to the 30-month anniversary of the closing date of the Offering. Each Broker Unit consists of one share of common stock and one-half of a Warrant, and each full Warrant entitles the holder thereof to purchase one share of common stock at US\$0.30 for 30 months following the closing date of the Offering.

At the Company's Annual Meeting of Stockholders on June 5, 2013, the Company's stockholders approved the conversion of the convertible note held by the Chairman. Upon such approval, the loan principal of \$545,628 plus accrued interest of \$22,692 automatically converted into 2,841,600 shares of common stock and 1,420,800 Warrants.

Accounting for Convertible Note

If certain criteria are met, companies must bifurcate conversion options from their host instruments and account for them as free-standing derivative instruments. The Company analyzed the conversion feature on the convertible note and determined that the embedded conversion feature did not require bifurcation; however, the effective conversion price was lower than the market price at the date of issuance; therefore, a beneficial conversion feature was recorded. Additionally, the Company bifurcated the fair value of the warrants from the convertible note. The discount on the note created by the beneficial conversion feature and the fair value of the warrants was amortized into interest expense over the term when the convertible note was converted. The Company classified the convertible note as a current liability because it was convertible within a year. On June 5, 2013, upon conversion, the Company reclassified the note from a current liability to equity.

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11. Stock Option and Stock-Based Compensation Plans

The total stock-based compensation expense included in the Company's consolidated statement of operations for the years ended December 31, 2013 and 2012 was \$1,416,892 and \$1,627,231, respectively.

(i) 2012 Omnibus Securities and Incentive Plan (the "New Plan")

The New Plan applies to all grants of distribution equivalent rights, incentive stock options, non-qualified stock options, performance share awards, performance unit awards, restricted stock awards, restricted stock unit awards, stock appreciation rights, tandem stock appreciation rights and unrestricted stock awards ("equity securities") to directors, officers, employees and consultants of the Company or any entity controlled by the Company. The exercise price for any new security granted under the New Plan is determined by the closing price of the Company's common stock on the trading day prior to the grant date. If the security is granted on a pre-determined basis, the exercise price is determined using the five-day volume weighted average price of the Company's common stock on the Toronto Stock Exchange immediately prior to the date of grant. In all cases the exercise price may not be less than fair market value. Securities are exercisable during a period established at the time of their grant provided that such period will expire no later than five years after the date of grant, subject to early termination of the option in the event the holder of the option dies or ceases to be a director, officer or employee of the Company or ceases to provide ongoing management or consulting services to the Company or entity controlled by the Company. The maximum number of shares of common stock issuable upon exercise of securities granted pursuant to the New Plan is 20,000,000 shares of common stock.

[a] Stock Options

A summary of stock option activity under the New Plan is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2012	415,000	0.25
Granted	14,253,000	0.44
Forfeited	(475,000)	0.27
Outstanding, December 31, 2013	14,193,000	0.44

The following table summarizes information regarding stock options granted under the New Plan as at December 31, 2013:

Exercise price \$	Number outstanding #	Weighted average remaining contractual life (years)	Number exercisable #	Aggregate intrinsic value \$
0.39	620,000	9.20	—	113,784
0.44	12,453,000	9.62	—	1,662,749
0.48	900,000	9.62	—	84,170
0.49	220,000	9.48	—	18,375
	14,193,000	9.60	—	1,879,078

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of fiscal 2013 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2013. The amount changes based on the fair market value of the Company's common stock.

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For the years ended December 31, 2013 and 2012, \$268,127 and \$3,079, respectively, were recorded for total stock-based compensation expense related to stock options under the New Plan.

The Company estimates the fair value of stock options granted using a Black-Scholes-Merton option pricing model.

The assumptions used in determining the fair value of stock options granted are as follows:

	Years ended December 31,	
	2013	2012
Weighted average		
Exercise price of stock options granted	\$0.44	\$0.25
Fair value of stock options granted	\$0.39	\$0.24
Expected volatility	109%	109%
Risk-free interest rate	2.23%	1.31%
Expected life (years)	7	7
Dividend yield	0%	0%

The exercise price of stock options granted on a pre-determined basis is calculated using the five-day volume weighted average price of the Company's common stock on the Toronto Stock Exchange preceding the grant date. The Company estimates volatility based on the Company's historical volatility. The Company estimates the risk-free rate based on the Federal Reserve rate. The Company currently estimates the expected life of its stock options to be seven years.

As at December 31, 2013, there was \$4.9 million of total unrecognized compensation cost related to non-vested stock options under the New Plan, which is expected to be recognized over a weighted-average period of 6.6 years.

[b] *Unrestricted Stock*

On August 13, 2013, the Company issued one million unrestricted stock awards to various employees of the Company, with a fair value on the date of issuance of \$454,396. This amount was expensed on the Company's consolidated statements of operations and comprehensive loss during the year ended December 31, 2013.

(ii) Second Amended and Restated Stock Option Plan (the "Old Plan")

The Old Plan applied to all grants of options to directors, officers, employees and consultants of the Company or any entity controlled by the Company. The exercise price for any option granted under the Old Plan was determined by the closing price of the Company's common stock on the trading day prior to the grant date. If the option was granted on a pre-determined basis, the exercise price was determined using the five-day volume weighted average price of the Company's common stock on the Toronto Stock Exchange immediately prior to the date of grant. In all cases the exercise price was not less than fair market value. Options were exercisable during a period established at the time of their grant provided that such period will expire no later than five years after the date of grant, subject to early termination of the option in the event the holder of the option dies or ceases to be a director, officer or employee of the Company or ceases to provide ongoing management or consulting services to the Company or entity controlled by the Company. The maximum number of shares of common stock issuable upon exercise of options granted pursuant to the Old Plan was equal to the greater of (i) 4,000,000 shares of common stock and (ii) 12.5% of the number of issued and outstanding shares of common stock. Since the adoption of the New Plan, no options have been or will be issued under the Old Plan.

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A summary of stock option activity under the Old Plan is as follows:

		Weighted average exercise price
	#	\$
Outstanding, December 31, 2012	16,502,500	0.44
Exercised	(2,598,771)	0.47
Expired	(3,050,000)	0.56
Forfeited	(779,229)	0.34
Outstanding, December 31, 2013	10,074,500	0.40

The following table summarizes information regarding stock options granted under the Old Plan as at December 31, 2013:

Exercise price \$	Number outstanding #	Weighted average remaining contractual life (years)	Number exercisable #	Aggregate intrinsic value \$
0.18	2,878,750	3.43	719,688	1,132,851
0.29	25,000	2.62	12,500	7,088
0.36	417,000	2.42	208,500	89,039
0.43	3,121,250	2.38	1,560,625	447,968
0.51	1,842,500	1.38	1,834,779	117,039
0.59	1,250,000	1.21	1,171,875	—
0.67	500,000	0.84	500,000	—
0.88	40,000	1.63	40,000	—
	10,074,500	2.27	6,047,967	1,793,985

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of fiscal 2013 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2013. The amount changes based on the fair market value of the Company's common stock.

For the years ended December 31, 2013 and 2012, \$601,467 and \$1,172,395, respectively, were recorded for total stock-based compensation expense related to stock options under the Old Plan. The weighted average exercise price of options exercisable as at December 31, 2013 was \$0.47.

The Company estimates the fair value of stock options granted using a Black-Scholes-Merton option pricing model.

The assumptions used in determining the fair value of stock options granted are as follows:

	Year ended December 31, 2012
Weighted average	
Exercise price of stock options granted	\$0.18
Fair value of stock options granted	\$0.18
Expected volatility	121%
Risk-free interest rate	1.15%
Expected life (years)	4
Dividend yield	0%

No options were granted under the Old Plan during the year ended December 31, 2013.

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The exercise price of stock options granted on a pre-determined basis is calculated using the five-day volume weighted average price of the Company's common stock on the Toronto Stock Exchange preceding the grant date. The Company estimates volatility based on the Company's historical volatility. The Company estimates the risk-free rate based on the Federal Reserve rate. The Company currently estimates the expected life of these stock options to be four years.

As at December 31, 2013, there was \$0.6 million of total unrecognized compensation cost related to these non-vested stock options, which is expected to be recognized over a weighted-average period of 1.3 years.

(iii) Warrants

On October 20, 2008, the Company granted 5,000,000 fully-vested warrants with an exercise price of \$0.63 exercisable for two years to employees of the Company in connection with a merger. On June 15, 2010, the stockholders of the Company approved a resolution to extend the expiration date of these warrants from October 20, 2010 to October 20, 2013. These warrants expired on October 20, 2013.

On January 4, 2010, the Company granted 2,000,000 Series D Warrants to a customer of the Company that were exercisable if the customer achieved certain subscriber levels. In accordance with ASC Topic 505-50, "Equity-Based Payments to Non-Employees," the Company did not recorded any expense for the year ended December 31, 2012 as the subscriber levels were not met. These warrants were forfeited on August 21, 2012.

On May 9, 2012, the Company granted 1,894,741 warrants to a merchant bank that were fully vested upon the merchant bank signing an engagement letter with the Company for various consulting services. The fair value of these warrants, in the amount of \$373,264, has been included in selling, general and administrative, including stock-based compensation on the Company's consolidated statement of operations and comprehensive loss. Additionally, the Company granted 1,894,741 warrants to the merchant bank that are exercisable if the merchant bank achieves certain performance targets. In accordance with ASC Topic 505-50, "Equity-Based Payments to Non-Employees," the Company has not recorded any expense for the year ended December 31, 2013 as the performance targets have not been met. These warrants expire on May 9, 2022.

On September 25, 2012, the Company completed a private placement for aggregate gross proceeds of approximately \$4.6 million. The Company sold an aggregate of 22,782,674 Units, with each Unit consisting of one share of Common Stock and one-half of one Subscriber Warrant, with each full Warrant entitling the holder thereof to purchase one share of Common Stock at US\$0.30 for 30 months following closing. The agent for a portion of the subscriptions received from the Company a cash commission equal to CDN\$299,251 (8% of the gross proceeds of the Offering, excluding proceeds arising from Units purchased by the Chairman and Vice Chairman) and 748,127 Broker Warrants (4% of the number of Units issued in the Offering). Each Broker Warrant is exercisable for one Broker Unit at an exercise price of US\$0.21 per Warrant at any time prior to the 30-month anniversary of the closing date of the Offering. Each Broker Unit consists of one share of Common Stock and one-half of a Warrant, and each full Warrant entitles the holder thereof to purchase one share of Common Stock at US\$0.30 for 30 months following the closing date of the Offering. The fair value of both the Subscriber Warrants and the Broker Warrants, have been included in the included in additional paid-in capital on the Company's consolidated balance sheet.

The total stock-based compensation expense related to warrants during the years ended December 31, 2013 and 2012 was \$0 and \$373,264, respectively.

A summary of the warrant activity is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2012	19,383,269	0.37
Exercised	(2,486,000)	0.30
Expired	(4,945,000)	0.63
Outstanding, December 31, 2013	11,952,269	0.28

NEULION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. dollars, unless otherwise noted)

December 31, 2013 and 2012

The fair value of warrants was determined using the Black-Scholes-Merton option pricing model.

The following table summarizes the warrant information as at December 31, 2013:

Exercise Price \$	Number outstanding #	Weighted average remaining contractual life (years)	Number exercisable #	Aggregate intrinsic value \$
0.21	1,111,191	1.23	1,111,191	403,942
0.22	1,894,741	8.36	1,894,741	669,643
0.30	8,916,337	1.23	8,916,337	—
2.20	30,000	3.85	30,000	—
	11,952,269	2.37	11,952,269	1,073,585

The assumptions used in determining the fair value of warrants granted are as follows:

	Year ended December 31, 2012
Weighted average	
Exercise price of warrants granted	\$0.29
Fair value of warrants granted	\$0.18
Expected volatility	121%
Risk-free interest rate	1.13%
Expected life (years)	4
Dividend yield	0%

No warrants were granted during the year ended December 31, 2013.

(iv) Amended and Restated Retention Warrant Plan (“Warrant Plan”)

The Company’s Warrant Plan applied to all grants of retention warrants to employees, officers, directors and consultants of the Company or any entity controlled by the Company. The exercise price for any retention warrant granted under the Warrant Plan to be issued on a pre-determined date in the future will be determined by the five-day weighted average closing price of the Company’s common stock prior to the date of grant but cannot be less than such a price. Retention warrants are exercisable on the Toronto Stock Exchange during a period established at the time of their grant provided that such period will expire no later than five years after the date of grant, subject to early termination of the retention warrant in the event the holder of the retention warrant dies or ceases to be an employee, officer, director or consultant of the Company or ceases to provide ongoing management or consulting services to the Company or entity controlled by the Company. The maximum number of shares of common stock issuable upon exercise of retention warrants granted pursuant to the Warrant Plan is equal to 2,500,000 shares of common stock. Since the adoption of the New Plan, no retention warrants have been or will be issued under the Warrant Plan.

A summary of the retention warrant activity during the year ended December 31, 2013 is as follows:

	Weighted average exercise price \$
#	
Outstanding, December 31, 2012	236,550 0.67
Expired	(236,550) 0.67
Outstanding, December 31, 2013	— —

There were no retention warrants granted during the years ended December 31, 2013 and 2012.

NEULION, INC.

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(v) 2006 Stock Appreciation Rights Plan (“SARS Plan”)

The maximum number of units grantable under the SARS Plan was equivalent to the greater of (i) 4,150,000 shares of common stock and (ii) 5% of the aggregate number of issued and outstanding shares of common stock. The exercise price was determined by the Board of Directors at the time of grant but in no event would the exercise price be lower than the market price of the common stock at the time of the grant. Each unit granted under the SARS Plan had a maximum life of five years from the date of the grant. The SARS Plan permitted the holder to settle the award as follows:

- (1) Receive cash compensation less the exercise price or to purchase or receive an equivalent number of shares of common stock, less the exercise price;
- (2) In lieu of receiving a cash settlement, the holder can elect to receive a number of shares of common stock from treasury equal to the fair value of the common stock less the exercise price, divided by the market value of the common stock; or
- (3) Elect to pay the Company the exercise price and receive shares of common stock from treasury equal to the number of stock appreciation rights (“SARS”) granted under the SARS Plan.

The Board of Directors had discretionary authority to accept or reject a cash payment request in whole or in part. Since the adoption of the New Plan, no SARS have been or will be issued under the SARS Plan.

A summary of the SARS activity during the year ended December 31, 2013 is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2012	675,000	0.61
Expired	(675,000)	0.61
Outstanding, December 31, 2013	—	—

For the years ended December 31, 2013 and 2012, \$(49,599) and \$(14,614), respectively, were recorded for total stock-based compensation expense related to SARS under the SARS Plan.

There were no SARS granted during the years ended December 31, 2013 and 2012.

(vi) Directors’ Compensation Plan (“Directors’ Plan”)

Non-management directors of the Company receive a minimum of 50% of their retainers and fees in the form of common stock and may elect to receive a greater portion of their retainers and fees in common stock. The number of shares of common stock to be issued to non-management directors is determined by dividing the dollar value of the retainers and fees by the closing price of the common stock on the relevant payment date. The maximum number of shares of common stock available to be issued by the Company under the Directors’ Plan is 5,000,000.

During the year ended December 31, 2013, the Company issued 295,244 shares of common stock with a fair value of \$142,500 as payment of fees and retainers due to non-management directors. During the year ended December 31, 2012, the Company issued 787,163 shares of common stock with a fair value of \$91,083 as payment of fees and retainers due to non-management directors.

(vii) Restricted Stock

On November 9, 2010, the Company granted 2,500,000 restricted shares to an employee that would vest yearly over a four year period. The employee resigned on January 31, 2012, prior to the vesting of all of the shares, and, accordingly, 1,875,000 shares were forfeited.

The total stock-based compensation (recovery)/expense related to the restricted shares during the year ended December 31, 2012 was \$(33,068).

NEULION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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12. Promissory Notes Receivable

On October 17, 2008, prior to its merger with NeuLion Inc., NeuLion USA, Inc. loaned employees an aggregate of \$209,250 through promissory notes to exercise stock options. The promissory notes bear interest at 3.16% per annum and were repayable on October 17, 2013. The Company extended the repayment of the promissory notes from October 17, 2013 to October 17, 2015.

13. Loss Per Share

Basic loss per share is computed by dividing net loss for the period by the weighted average number of shares of common stock outstanding for the period. Diluted loss per share is computed by dividing net loss for the year by the weighted average number of shares of common stock outstanding, and excludes the effect of potential common stock, as their inclusion would be anti-dilutive due to the losses recorded by the Company.

The following table summarizes the securities convertible into common stock that were outstanding as at December 31, 2013 and 2012 but were not included in the computation of diluted loss per share as their effect would have been anti-dilutive. See note 11 for additional details.

	2013	2012
	#	#
Class 3 Preference Shares	17,176,818	17,176,818
Class 4 Preference Shares	10,912,265	10,912,265
Stock options – New Plan	14,193,000	415,000
Stock options – Old Plan	10,074,500	16,502,500
SARS	—	675,000
Warrants	11,952,269	19,383,269
Retention warrants	—	236,550

14. Supplemental Cash Flow Information

For each of the years presented, the Company did not pay any cash income taxes or cash interest expense.

15. Commitments and Contingencies

Commitments

The Company has operating lease commitments for its premises in the United States (Plainview, New York; New York, New York; and Sanford, Florida), Canada (Toronto, Ontario and Vancouver, British Columbia), England (London) and China (Beijing, Shanghai and Shenzhen). In addition, the Company has operating leases for certain computer hardware and infrastructure equipment. Future minimum annual payments over the next five years and thereafter (exclusive of taxes, insurance and maintenance costs) under these commitments are as follows:

	\$
2014	8,342,229
2015	6,440,805
2016	3,553,661
2017	2,601,153
2018	675,858
Thereafter	40,000
	21,653,706

Rent expense for the years ended December 31, 2013 and 2012 was \$1,261,482 and \$1,165,709, respectively, which includes rent expense to Renaissance, a related party, of \$430,344 and \$420,496, respectively.

NEULION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. dollars, unless otherwise noted)

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The Company has subleased a portion of its Toronto office, which is expected to generate a total recovery of \$2,836,137 over the next four years, and is netted against the commitment in the table above.

Contingencies

During the ordinary course of business activities, the Company may be contingently liable for litigation and a party to claims. Management believes that adequate provisions have been made in the accounts where required. Although the extent of potential costs and losses, if any, is uncertain, management believes that the ultimate resolution of such contingencies will not have an adverse effect on the consolidated financial position or results of operations of the Company.

16. Segmented Information

The Company operates, as one reportable segment, to deliver live and on-demand content to Internet-enabled devices. Substantially all of Company's revenues are generated and long-lived assets are located in the United States.

17. Income Taxes

The Company is subject to income and other taxes in a variety of jurisdictions, including the United States, Canada, and various state jurisdictions. A reconciliation of income taxes computed at the United States statutory rate to the Company's effective income tax rate for the years ended December 31, 2013 and 2012 is shown below.

	2013 \$	2012 \$
Combined basic federal rate	35%	35%
Income tax benefit based on statutory income tax rate	(700,525)	(3,352,352)
Increase in income taxes resulting from:		
Non-deductible expenses and state taxes	203,608	323,467
Increase in valuation allowance	773,763	3,641,769
Income tax expense	276,846	612,884

Deferred income taxes result principally from temporary differences in the recognition of loss carry-forwards and expense items for financial and income tax reporting purposes. Significant components of the Company's deferred tax assets as of December 31, 2013 and 2012 were as follows:

	December 31, 2013 \$	December 31, 2012 \$
Current deferred tax assets		
Accrued expenses and deferred revenue	1,949,840	1,796,157
Valuation allowance	(1,939,646)	(1,762,580)
Total current deferred tax asset	10,194	33,577
Non-current deferred tax assets		
Intangible assets	4,566,613	4,170,463
Stock options	889,018	1,341,010
Net operating losses	38,522,493	36,355,104
Valuation allowance	(43,365,910)	(41,001,202)
Total non-current deferred tax assets	612,214	865,375

NEULION, INC.

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Non-current deferred tax liabilities

Property, plant and equipment	(610,303)	(530,483)
Goodwill	(1,181,752)	(911,978)
Intangible assets	—	(357,675)
Foreign earnings	(11,331)	(10,794)
Total non-current deferred tax liabilities	(1,803,386)	(1,810,930)
Total net deferred tax liability	(1,180,978)	(911,978)

The Company has approximately \$106 million in net operating tax loss (“NOLs”) carryforwards available to be applied against future years’ income that, if not utilized, will begin to expire in 2027. Various state NOLs which do not follow the federal carry forward period have historically expired and will continue to expire in the future if not utilized. The \$106 million does not include \$12.7 million related to tax goodwill amortization that will not be realized for financial reporting purposes until the Company is able to take a tax benefit for those deductions. Historically, the Company has entered into certain transactions which may limit the use of NOLs. From the Company’s inception, significant losses have been recorded. Accordingly, a valuation allowance was recorded due to the uncertainty of realizing the benefits of operating loss carryforwards and other tax deferred assets. The Company has recorded a net deferred tax liability because deferred tax liabilities related to indefinite lived intangibles cannot be offset against deferred tax assets when determining the need for a valuation allowance.

The Company accounts for income taxes in accordance with ASC Topic 740, “Income Taxes Recognition.” The Company does not believe there are any uncertain tax provisions under ASC 740. The Company’s federal and state jurisdictions remain open for the years 2011 and 2012.

Exhibit 21

We have the following subsidiaries:

Name of Subsidiary	State or Country of Incorporation	Name Under Which Subsidiary Does Business	% Ownership
NeuLion USA, Inc.	Delaware	NeuLion USA	100%
JumpTV USA Inc.	Delaware	JumpTV USA Inc.	100%
JumpTV USA Holdco, Inc.	Delaware	NeuLion	100%
TV-Desi, Inc.	Delaware	TV-Desi	100%
Interactive Netcasting Systems Inc.	Canada	NeuLion	100%
NeuLion China Co., Ltd.	China	NeuLion China	100%
Cycling Television Limited	United Kingdom	Cycling TV	100%
TransVideo International Ltd.	British Virgin Islands	TransVideo	100%
Beijing Digital TransVideo Technology Co., Ltd. (WOFE)	China	TransVideo	100%
NeuLion AC, Inc.	Delaware	Inactive	100%
NeuLion International Inc.	Delaware	Inactive	100%
INSINC Technologies Ltd.	Canada	Inactive	100%
JumpTV International FZ-LLC	United Arab Emirates	Inactive	100%
Sport International Group, LLC	Delaware	Inactive	100%
Deportes Ya, S.A.	Argentina	Inactive	100%

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) OF THE EXCHANGE ACT**

I, Nancy Li, certify that:

1. I have reviewed this annual report on Form 10-K of NeuLion, 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(s) 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(s) 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: March 12, 2014

/s/ Nancy Li

Name: Nancy Li
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) OF THE EXCHANGE ACT**

I, Arthur J. McCarthy, certify that:

1. I have reviewed this annual report on Form 10-K of NeuLion, 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(s) 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(s) 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: March 12, 2014

/s/ Arthur J. McCarthy

Name: Arthur J. McCarthy
 Title: Chief Financial Officer
 (Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this annual report on Form 10-K of NeuLion, Inc. (the "Company") for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. (section) 1350, as adopted pursuant to (section) 906 of the Sarbanes-Oxley Act of 2002, that to the best of his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 12, 2014

/s/ Nancy Li

Name: Nancy Li
Title: Chief Executive Officer
(Principal Executive Officer)

Date: March 12, 2014

/s/ Arthur J. McCarthy

Name: Arthur J. McCarthy
Title: Chief Financial Officer
(Principal Financial Officer)
