# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

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# FORM 8-K/A

**Amendment No. 1**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

**Date of Report (Date of Earliest Event Reported): January 31, 2014**

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# BRIGHTCOVE INC.

**(Exact name of registrant as specified in its charter)**

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| DELAWARE | 001-35429 | 20-1579162 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

**290 Congress Street, Boston, MA 02210**
**(Address of principal executive offices, including Zip Code)**

**(888) 882-1880**
**(Registrant's telephone number, including area code)**

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

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

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

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

This Current Report on Form 8-K/A is being filed as an amendment to the Current Report on Form 8-K dated January 31, 2014 (the "Original Form 8-K") filed by Brightcove Inc. (the "Company") with the Securities and Exchange Commission on January 31, 2014, announcing the completion of the Company's acquisition of substantially all of the assets of Unicorn Media, Inc., a Delaware corporation ("Unicorn Media"), pursuant to an Asset Purchase Agreement and Plan of Reorganization (the "Purchase Agreement"), dated as of January 6, 2014 by and among the Company, Cacti Acquisition LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company, Unicorn Media, Unicorn Media of Arizona, Inc., an Arizona corporation ("Unicorn Arizona Sub"), U Media Limited, a private limited company registered in England and Wales ("Unicorn UK Sub" and, together with Unicorn Media and Unicorn Arizona Sub, "Unicorn"), and the Securityholders' Representative named therein. At that time, the Company stated in the Original Form 8-K that it intended to file the required financial statements and pro forma financial information within 71 days from the date that such report was required to be filed. This Current Report on Form 8-K/A amends and restates Item 9.01 of the Original Form 8-K to present certain financial statements of Unicorn and to present certain unaudited pro forma financial statements of the Company in connection with the Company's acquisition of substantially all of the assets of Unicorn, which financial statements and unaudited pro forma financial statements are filed as exhibits hereto and are incorporated herein by reference. All of the other items in the Original Form 8-K remain the same and are hereby incorporated by reference into this Current Report on Form 8-K/A.

**Item 9.01 Financial Statements and Exhibits.**

(a) Financial Statements of Business Acquired.

The audited financial statements of Unicorn as of and for the years ended December 31, 2013 and 2012 are filed as Exhibit 99.1 to this Current Report on Form 8-K/A.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial statements of the Company as of and for the year ended December 31, 2013 giving effect to the acquisition of substantially all of the assets of Unicorn, are filed as Exhibit 99.2 to this Current Report on Form 8-K/A.

(d) Exhibits

| Exhibit No. | Description |
|---|---|
| 2.1* | Asset Purchase Agreement and Plan of Reorganization, dated as of January 6, 2014, by and among Brightcove Inc., Cacti Acquisition LLC, Unicorn Media, Inc., Unicorn Media of Arizona, Inc., U Media Limited and the Securityholders' Representative named therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2014) |
| 23.1 | Consent of Independent Auditors |
| 99.1 | Unicorn Media, Inc. and Subsidiaries Audited Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012 |
| 99.2 | Unaudited Pro Forma Condensed Combined Financial Statements of Brightcove Inc. as of December 31, 2013 and for the Year Ended December 31, 2013 |

* Previously Filed

**SIGNATURES**

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

Date: April 11, 2014

Brightcove Inc.

By: /s/ Christopher Menard
Christopher Menard
Chief Financial Officer

**Exhibit 23.1**

**Consent of Independent Auditors**

We consent to the incorporation by reference in Registration Statements (No. 333-179966, No. 333-183315, No. 333-187051, and No. 333-193701) on Form S-8 and Registration Statement (No. 333-192131) on Form S-3 of Brightcove Inc. of our report dated March 11, 2014 relating to our audits of the consolidated financial statements of Unicorn Media, Inc. and Subsidiaries as of and for the years ended December 31, 2013 and 2012, included in this Current Report on Form 8-K/A.

/s/ McGladrey LLP

Phoenix, Arizona

April 11, 2014

Exhibit 99.1

# Unicorn Media, Inc. and Subsidiaries

Consolidated Financial Report
12.31.2013

**Contents**

McGladrey LLP

McGladrey

**Independent Auditor's Report**

To the Board of Directors
Unicorn Media, Inc. and Subsidiaries
Tempe, Arizona

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Unicorn Media, Inc. and Subsidiaries (the Company) which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Unicorn Media, Inc. and Subsidiaries as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As further discussed in Note 10 to the consolidated financial statements, the Company entered into an Asset Purchase Agreement and Plan of Reorganization dated January 6, 2014, which provided for the sale of substantially all Company assets. The transaction closed January 31, 2014.

McGladrey LLP

Phoenix, Arizona
March 11, 2014

**Unicorn Media, Inc. and Subsidiaries**

**Consolidated Balance Sheets**
**December 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | **$ 226,377** | $ 695,041 |
| Accounts receivable, net of allowance of $45,513 and $57,875 at December 31, 2013 and 2012, respectively | **1,037,437** | 709,806 |
| Prepaid expenses and other | **32,164** | 38,620 |
| Employee advances | **-** | 13,742 |
| **Total current assets** | **1,295,978** | 1,457,209 |
| Property and equipment, net | **2,726,151** | 1,556,610 |
| Intangible assets, net | **817,684** | 579,823 |
| Deposits | **155,127** | 28,899 |
| **Total assets** | **$ 4,994,940** | $ 3,622,541 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| **CURRENT LIABILITIES** | | |
| Line of credit, related party | **$ 431,052** | $ 448,954 |
| Accounts payable | **1,666,251** | 423,289 |
| Accrued expenses | **1,155,474** | 1,057,016 |
| Current portion of deferred rent liability | **-** | 9,269 |
| Notes payable, related party | **550,000** | 500,000 |
| Note payable | **300,000** | - |
| Convertible subordinated debt | **-** | 3,627,479 |
| Current portion of capital lease obligations | **1,192,204** | 470,430 |
| Current portion of deferred revenue | **6,317** | 232,192 |
| **Total current liabilities** | **5,301,298** | 6,768,629 |
| Capital lease obligations, less current portion | **1,398,187** | 925,461 |
| Deferred rent liability, less current portion | **72,806** | 69,541 |
| Deferred revenue, less current portion | **1,875** | 23,695 |
| **Total liabilities** | **6,774,166** | 7,787,326 |
| Commitments and contingencies *(Note 6)* | | |
| **STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| Series A Convertible Preferred Stock, $0.0001 par value; 2013 and 2012 19,311,018 shares authorized, issued and outstanding | **1,931** | 1,931 |
| Series A-1 Convertible Preferred Stock, $0.0001 par value; 2013 and 2012 39,689,525 shares authorized, issued and outstanding | **3,969** | 3,969 |
| Series A-2 Convertible Preferred Stock, $0.0001 par value; 2013 38,150,714 shares authorized, issued and outstanding | **3,815** | - |
| Common stock, $0.0001 par value; 155,000,000 shares authorized; 2013 and 2012 32,484,637 and 31,115,316 issued; 2013 and 2012 27,709,570 and 26,340,249 outstanding | **3,249** | 3,112 |
| Treasury stock | **(95,501)** | (95,501) |
| Additional paid-in-capital | **26,831,821** | 16,878,897 |
| Stockholder notes receivable and interest receivable | **(263,264)** | (275,615) |
| Accumulated deficit | **(28,265,246)** | (20,681,578) |
| **Total stockholders' equity (deficit)** | **(1,779,226)** | (4,164,785) |
| **Total liabilities and stockholders' equity (deficit)** | **$ 4,994,940** | $ 3,622,541 |

See Notes to Consolidated Financial Statements.

**Unicorn Media, Inc. and Subsidiaries**

**Consolidated Statements of Operations**
**Years Ended December 31, 2013 and 2012**

| | **2013** | 2012 |
|---|---|---|
| Revenue: | | |
| UnicornONCE™ revenue | **$ 3,780,756** | $ 1,984,156 |
| Encoding, storage and other revenue | **1,936,095** | 1,432,541 |
| **Total revenue** | **5,716,851** | 3,416,697 |
| | | |
| Cost of revenue: | | |
| Cost of UnicornONCE™ revenue | **683,668** | 693,973 |
| Cost of encoding, storage and other revenue | **1,579,118** | 1,104,049 |
| **Total cost of revenue** | **2,262,786** | 1,798,022 |
| | | |
| **Gross profit** | **3,454,065** | 1,618,675 |
| | | |
| Operating expenses: | | |
| Technology and development | **2,841,965** | 1,455,567 |
| Sales and marketing | **3,781,525** | 2,122,659 |
| General and administrative | **3,987,235** | 1,648,047 |
| Loss on disposition of assets | **3,549** | - |
| **Total operating expenses** | **10,614,274** | 5,226,273 |
| | | |
| **Loss from operations** | **(7,160,209)** | (3,607,598) |
| | | |
| Other (expense) income: | | |
| Interest expense | **(423,363)** | (211,041) |
| Other income (expense) | **1,554** | (515) |
| **Total other expense** | **(421,809)** | (211,556) |
| | | |
| **Loss before income taxes** | **(7,582,018)** | (3,819,154) |
| | | |
| Income tax expense (benefit) | **1,650** | (125,714) |
| | | |
| **Net loss** | **$ (7,583,668)** | $ (3,693,440) |

See Notes to Consolidated Financial Statements.

**Unicorn Media, Inc. and Subsidiaries**

**Consolidated Statements of Changes in Stockholders' Equity (Deficit)**
**Years Ended December 31, 2013 and 2012**

| | Stock Issued | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Par Value Preferred Series A | Par Value Preferred Series A-1 | Par Value Preferred Series A-2 | Par Value Common | Treasury Stock | Additional Paid-In Capital | Stockholder Notes Receivable and Interest Receivable | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
| Ending Balance December 31, 2011 | $ 1,931 | $ 3,969 | $ - | $ 2,822 | $ (50,001) | $ 16,722,810 | $ (314,245) | $ (16,988,138) | $ (620,852) |
| Issuance of 1,600,000 shares of common stock in exchange for services | - | - | - | 160 | - | 57,440 | - | - | 57,600 |
| Exercise of stock options | - | - | - | 70 | - | 13,844 | (10,000) | - | 3,914 |
| Exercise of warrants | - | - | - | 60 | - | 11,851 | - | - | 11,911 |
| Cancellation of 2,275,000 shares of common stock and forgiveness of note | - | - | - | - | (45,500) | - | 45,500 | - | - |
| Payments on stockholder notes receivable | - | - | - | - | - | - | 10,250 | - | 10,250 |
| Interest on stockholder notes receivable | - | - | - | - | - | 7,120 | (7,120) | - | - |
| Stock-based compensation | - | - | - | - | - | 37,638 | - | - | 37,638 |
| Issuance of warrants | - | - | - | - | - | 28,194 | - | - | 28,194 |
| Net loss | - | - | - | - | - | - | - | (3,693,440) | (3,693,440) |
| Ending Balance December 31, 2012 | 1,931 | 3,969 | - | 3,112 | (95,501) | 16,878,897 | (275,615) | (20,681,578) | (4,164,785) |
| Exercise of stock options | - | - | - | 137 | - | 28,494 | - | - | 28,631 |
| Conversion of notes payable | - | - | 3,815 | - | - | 9,533,863 | - | - | 9,537,678 |
| Stock-based compensation | - | - | - | - | - | 275,799 | - | - | 275,799 |
| Issuance of warrants | - | - | - | - | - | 127,119 | - | - | 127,119 |
| Interest adjustment on stockholder notes receivable | - | - | - | - | - | (12,351) | 12,351 | - | - |
| Net loss | - | - | - | - | - | - | - | (7,583,668) | (7,583,668) |
| Ending Balance December 31, 2013 | $ 1,931 | $ 3,969 | $ 3,815 | $ 3,249 | $ (95,501) | $ 26,831,821 | $ (263,264) | $ (28,265,246) | $ (1,779,226) |

See Notes to Consolidated Financial Statements.

**Unicorn Media, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**
**Years Ended December 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss | $ (7,583,668) | $ (3,693,440) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 956,459 | 253,283 |
| Write-off of intangible assets | - | 39,943 |
| Stock-based compensation | 275,799 | 37,638 |
| Non-cash interest on convertible subordinated debt | 205,860 | 147,000 |
| Issuance of common stock in exchange for services | - | 57,600 |
| Compensation expense for warrants | 127,119 | 28,194 |
| Provision for reserves on accounts receivable | 99,600 | 87,737 |
| Loss on disposition of assets | 3,549 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (427,231) | (510,534) |
| Prepaid expenses | 6,456 | (9,308) |
| Employee advances | 13,742 | (6,049) |
| Deposits | (126,228) | (1,775) |
| Accounts payable | 1,242,962 | (222,331) |
| Accrued expenses | 245,583 | 137,625 |
| Deferred rent | (6,004) | (2,950) |
| Deferred revenue | (247,695) | 140,223 |
| **Net cash used in operating activities** | (5,213,697) | (3,517,144) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of property and equipment | (122,049) | (66,532) |
| Proceeds from disposition of assets | 650 | - |
| Purchases of intangible assets | (271,391) | (194,458) |
| **Net cash used in investing activities** | (392,790) | (260,990) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from exercise of stock options | 28,631 | 3,914 |
| Proceeds from exercise of warrants | - | 11,911 |
| Payments on stockholder notes receivable | - | 10,250 |
| Proceeds from issuance of convertible subordinated debt | 5,557,214 | 3,252,479 |
| Net (payments) borrowings on line of credit, related party | (17,902) | 30,313 |
| Borrowings under note payable, related party | 550,000 | 1,125,000 |
| Payments on note payable, related party | (500,000) | (75,000) |
| Borrowings under note payable | 300,000 | - |
| Payments on capital lease obligations | (780,120) | (23,698) |
| **Net cash provided by financing activities** | 5,137,823 | 4,335,169 |
| Net (decrease) increase in cash | (468,664) | 557,035 |
| Cash at beginning of period | 695,041 | 138,006 |
| Cash at end of period | $ 226,377 | $ 695,041 |

See Notes to Consolidated Financial Statements.

**Unicorn Media, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows (Continued)**
**Years Ended December 31, 2013 and 2012**

| | | 2013 | | 2012 |
|---|---|---|---|---|
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | | | |
| Cash paid for income taxes, net of applied refunds of $0 2013 and ($127,359) 2012 | **$** | **1,650** | $ | (125,714) |
| Cash paid for interest | **$** | **602,370** | $ | 33,701 |
| | | | | |
| **SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES** | | | | |
| Capital lease obligations for property acquired | **$** | **1,974,620** | $ | 1,419,589 |
| Cancellation of common stock and forgiveness of note | **$** | **-** | $ | 45,500 |
| Interest on stockholder notes receivable | **$** | **(12,351)** | $ | 7,120 |
| Exercise of stock options for note | **$** | **-** | $ | 10,000 |
| Transfers to line of credit, related party | **$** | **(20,218)** | $ | 225,000 |
| Transfers from note payable, related party | **$** | **-** | $ | 600,000 |
| Transfers to convertible subordinated debt | **$** | **-** | $ | 375,000 |
| Conversion of notes payable to preferred Series A-2 | **$** | **9,537,678** | $ | - |

See Notes to Consolidated Financial Statements.

**Note 1. Business Description**

Unicorn Media, Inc. ("Unicorn") is a provider of Internet video solutions that enable companies to maximize internet protocol video profitability. Unicorn's patented technology, UnicornOnce™, allows customers to ingest video content one time and deliver it to every internet-connected device via a single uniform resource locater ("URL").

Unicorn is headquartered in Tempe, Arizona and was incorporated in the state of Delaware on August 24, 2007. At December 31, 2013, Unicorn had two wholly-owned subsidiaries: Unicorn Media of Arizona, Inc., Tempe, Arizona and U Media Limited, London, England. Unicorn's revenues are generated primarily in the states of Arizona, California, Georgia, New York, and Virginia.

**Note 2. Summary of Significant Accounting Policies**

**Principles of consolidation:** The consolidated financial statements include the accounts of Unicorn Media, Inc. and its wholly owned subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the consolidated financial statements.

The Company believes that a significant accounting policy is one that is both important to the portrayal of the Company's financial condition and results, and requires management's most difficult, subjective, or complex judgments, often as the result of the need to make estimates about the effect of matters that are inherently uncertain.

**Use of estimates and uncertainties:** The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates relied upon in preparing these consolidated financial statements include amortization periods, allowance for doubtful accounts, the determination of the fair value of stock awards issued, stock-based compensation expense, and the recoverability of the Company's net deferred tax assets and related valuation allowance.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made.

The Company is subject to a number of risks and uncertainties common to companies in similar industries and stages of development including, but not limited to, rapid technological changes, competition from substitute products and services from larger companies, customer concentration, protection of proprietary rights, patent litigation, and dependence on key individuals.

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Subsequent events considerations:** The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the consolidated financial statements to provide additional evidence for certain estimates or to identify matters that require additional disclosure. The Company has evaluated subsequent events through March 11, 2014, which is the date the Company's consolidated financial statements were available to be issued, and are disclosed in Note 10.

**Revenue recognition:** The Company primarily derives income from the sale of its online video technology platform, a cloud-based, software as a service (SAAS), which provides customers with technology that enables them to deliver live or video-on-demand (VOD) content to every internet-connected device, and dynamically insert ads anywhere in the stream. Revenue is derived from three primary sources: (1) video content delivery technology and related support; (2) transcoding and storage services; and (3) professional services.

The Company recognizes revenues when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) the service has been provided to the customer; (3) the collection of fees is probable; and (4) the amount of fees to be paid by the customer is fixed or determinable.

Contracts for customers generally have a term of one year and are non-cancellable. These contracts generally provide the customer with a minimum monthly level of usage, and provide the rate at which the customer must pay for actual usage above the monthly allowable usage. For these services, the Company recognizes the monthly fee during each applicable month. Should a customer's usage of the Company's services exceed the monthly minimum level, revenue is recognized for such excess in the period of the usage. Further, contracts entered into generally provide multiple-element service arrangements that may include various revenues such as streaming platform fees, transcoding fees, content delivery network fees, and, in certain cases, other professional services. The Company has determined that each element has value to the customer on a stand-alone basis, and therefore accounts for each element separately.

Revenue recognition commences upon the later of when the application is placed in a production environment, or when all revenue recognition criteria have been met.

Professional services and other revenue sold on a stand-alone basis are recognized as the services are performed, subject to any refund or other obligation.

Deferred revenue includes amounts billed to customers for which revenue has not been recognized, and primarily consists of deferred initiation and professional service fees. Such fees are recognized as revenue ratably over the estimated customer relationship of two years.

**Cost of revenue:** Cost of revenue primarily consists of costs related to supporting the Company's product offerings. These costs include salaries and benefits related to the customer support team, as well as third-party service provider costs such as data center and networking expenses and depreciation expense.

**Allowance for doubtful accounts:** The Company offsets gross trade accounts receivable with an allowance for doubtful accounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Recoveries of previously written off balances are recorded when received. Provisions for allowances for doubtful accounts and subsequent recoveries are recorded in general and administrative expense. No interest is charged on past due accounts.

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Off-balance-sheet risk and concentration of credit risk:** Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Company maintains its cash principally with accredited financial institutions of high credit standing. Although the Company deposits its cash with multiple financial institutions, its deposits, at times, may exceed federally insured limits. The Company has not incurred losses related to its cash concentration.

The Company routinely assesses the creditworthiness of its customers. The Company generally has not experienced any material losses related to receivables from individual customers, or groups of customers. The Company does not require collateral. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company's accounts receivable.

For the years ended December 31, 2013 and 2012, the following customers individually accounted for more than 10% of total revenue and had the following balances in accounts receivable:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| Customer | **Percent of Revenue** | **Accounts Receivable Balance** | Percent of Revenue | Accounts Receivable Balance |
| Customer 1 | **12.5%** | **$ 76,521** | 10.6% | $ 69,865 |
| Customer 2 | **11.5%** | **$ -** | 16.2% | $ 123,349 |
| Customer 3 | **10.7%** | **$ 92,667** | * | * |

* Sales to this customer were not significant for the year ended December 31, 2012.

**Concentration of other risks:** The Company is dependent on certain content delivery network providers who provide digital media delivery functionality enabling the Company's service to function as intended for the Company's customers and ultimate end-users. The disruption of these services could have a material adverse effect on the Company's business, financial position, and results of operations.

**Property and equipment:** Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related asset. Upon retirement or sale, the cost of assets disposed of, and the related accumulated depreciation, are removed from the accounts, and any resulting gain or loss is included in the determination of net income or loss in the period of retirement.

**Note 2. Summary of Significant Accounting Policies (Continued)**

Property and equipment consists of the following as of December 31, 2013 and 2012:

| | Estimated Useful Life (in Years) | 2013 | 2012 |
|---|---|---|---|
| Computer equipment | 3 | $ 4,271,647 | $ 2,288,086 |
| Furniture and fixtures | 5 | 105,830 | 122,667 |
| Software | 3 | 55,801 | 44,914 |
| Tenant improvements | Shorter of useful life or lease term | 12,845 | 12,845 |
| | | 4,446,123 | 2,468,512 |
| Less accumulated depreciation | | (1,719,972) | (911,902) |
| Property and equipment, net | | $ 2,726,151 | $ 1,556,610 |

At December 31, 2013 and 2012, computer equipment included equipment under capital leases with an initial value of approximately $3,394,000 and $1,420,000, respectively, less accumulated depreciation of approximately $854,000 and $60,000, respectively.

Depreciation expense for the years ended December 31, 2013 and 2012 was approximately $923,000 and $244,000, respectively.

Expenditures for maintenance and repairs are charged to expense as incurred, whereas major improvements are capitalized as additions to property and equipment.

**Deferred rent:** Deferred rent is provided for differences in the timing of recognition of rent expense and rental payments over the respective lease terms. Certain leases require escalating rent payments over the lease term. The total rent payments are divided by the total number of months to compute an amount, which is charged to the expense on a straight-line basis over the lease term. The deferred rent asset and liability is recorded on the accompanying consolidated balance sheets and occurs when the monthly straight-line expense differs from the monthly rent paid.

**Long-lived assets:** The Company reviews long-lived assets and certain identifiable intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During this review, the Company reevaluates the significant assumptions used in determining the original cost and estimated lives of long-lived assets. Although the assumptions may vary from asset to asset, they generally include operating results, changes in the use of the asset, cash flows, and other indicators of value. Management then determines whether the remaining useful life continues to be appropriate, or whether there has been an impairment of long-lived assets based primarily upon whether expected future undiscounted cash flows are sufficient to support the assets' recovery. If impairment exists, the Company adjusts the carrying value of the asset to fair value, generally determined by a discounted cash flow analysis.

For the years ended December 31, 2013 and 2012, the Company has not identified any impairment of its long-lived assets.

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Intangible assets:** Intangible assets that have finite lives consist of patents and trademarks and are amortized on a straight-line basis over their useful lives of 12 and 5 years, respectively.

**Income taxes:** The Company accounts for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax basis of assets and liabilities using statutory rates. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. At December 31, 2013 and 2012, valuation allowances of approximately $10.0 million and $7.3 million, were recorded, respectively.

The Company accounts for uncertain tax positions recognized in the consolidated financial statements by prescribing a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interest and penalties, if applicable, related to uncertain tax positions would be recognized as components of income tax expense. The Company has no recorded liabilities for uncertain tax positions as of December 31, 2013 and 2012.

**Stock-based compensation:** At December 31, 2013, the Company had one stock-based compensation plan, the Unicorn Media, Inc. 2007 Long-Term Incentive Plan.

For stock options issued under the Company's stock-based compensation plan, the fair value of each option grant is estimated on the date of grant, and an estimated forfeiture rate is used when calculating stock-based compensation expense for the period. For restricted stock awards issued under the Company's stock-based compensation plans, the fair value of each grant is calculated based on the Company's stock price on the date of grant. For service-based options, the Company recognizes compensation expense on a modified straight-line basis over the requisite service period of the award. For performance-based options, the Company recognizes compensation expense if and when the Company concludes that it is probable that the performance conditions will be achieved.

Given the absence of an active market for the Company's common stock the Board of Directors (the Board), the members of which the Company believes have extensive business, finance, and venture capital experience, were required to estimate the fair value of the Company's common stock at the time of each option grant. The Board considered numerous objective and subjective factors in determining the value of the Company's common stock at each option grant date, including the following factors: (1) prices for the Company's stock sold to outside investors in arm's-length transactions, and the rights, preferences, and privileges of the Company's preferred stock and common stock; (2) valuations performed by an independent valuation specialist; (3) the Company's stage of development and revenue growth; (4) the fact that the option grants involved illiquid securities in a private company; and (5) the likelihood of achieving a liquidity event for the shares of common stock underlying the options, such as an initial public offering or sale of the Company, given prevailing market conditions. The Company believes this to have been a reasonable methodology based upon the Company's internal peer company analyses, and based on several arm's-length transactions involving the Company's stock, supportive of the results produced by this valuation methodology. Determination of fair value involved assumptions, judgments and estimates. If different assumptions were made, stock-based compensation expense could have been significantly different.

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Warrants:** Warrants issued to nonemployees are accounted for based on the estimated fair value of the warrant in accordance with Accounting Standards Codification 505-10 (ASC). The Black-Scholes option pricing method was used to value the warrants. See Note 8.

**Advertising costs:** Advertising costs are charged to operations as incurred. The Company incurred advertising costs of approximately $383,000 and $104,000 for the years ended December 31, 2013 and 2012, respectively.

**Note 3. Intangible Assets**

Intangible assets consist of the following as of December 31, 2013 and 2012:

| | 2013 | | | |
|---|---|---|---|---|
| | **Estimated Useful Life (in Years)** | **Gross Carrying Value** | **Accumulated Amortization** | **Net Carrying Value** |
| Patents | **12** | **$ 830,574** | **$ (37,785)** | **$ 792,789** |
| Trademarks | **5** | **30,134** | **(5,239)** | **24,895** |
| | | **$ 860,708** | **$ (43,024)** | **$ 817,684** |

| | 2012 | | | |
|---|---|---|---|---|
| | Estimated Useful Life (in Years) | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Patents | 12 | $ 573,288 | $ (7,775) | $ 565,513 |
| Trademarks | 5 | 16,029 | (1,719) | 14,310 |
| | | $ 589,317 | $ (9,494) | $ 579,823 |

Amortization expense related to intangible assets for the years ended December 31, 2013 and 2012 were approximately $34,000 and $9,000, respectively. As of December 31, 2013 and 2012, approximately $424,000 and $314,000, respectively, of patents were pending and as such, have not incurred amortization.

**Note 3. Intangible Assets (Continued)**

The estimated remaining amortization expense of granted patents and trademarks for each of the five succeeding years and thereafter is as follows:

| Year Ending December 31, | | |
|---|---|---|
| 2014 | $ | 39,000 |
| 2015 | | 39,000 |
| 2016 | | 38,000 |
| 2017 | | 37,000 |
| 2018 | | 35,000 |
| Thereafter | | 206,000 |
| | $ | 394,000 |

**Note 4. Accrued Expenses**

Accrued expenses consist of the following as of December 31, 2013 and 2012:

| | | **2013** | | 2012 |
|---|---|---|---|---|
| Accrued payroll and related benefits | **$** | **803,420** | $ | 675,686 |
| Accrued interest | | **68,388** | | 179,007 |
| Accrued sales and other taxes | | **212,382** | | 68,542 |
| Accrued content delivery | | **39,819** | | 83,071 |
| Accrued other liabilities | | **31,465** | | 50,710 |
| | **$** | **1,155,474** | $ | 1,057,016 |

**Note 5. Line of Credit, Notes Payable, and Convertible Subordinated Debt**

**Line of credit, related party:** The Company maintains an unsecured line of credit with an entity 99% owned by an officer and stockholder of the Company to be drawn upon up to a maximum amount of $500,000. The line of credit balance at December 31, 2013 and 2012 was $431,052 and $448,954, respectively, and there was approximately $36,000 and $3,000, respectively, of accrued interest outstanding. The note carries interest at 7% and was paid in full in conjunction with the transaction discussed in Note 10.

**Note payable, related party:** In December 2011, an officer and stockholder loaned the Company $50,000. In 2012 additional advances were made totaling $450,000, whereby the Company entered in to an unsecured demand promissory note for the amount of $500,000. This note was paid in full during 2013.

In December 2013, the same officer and stockholder loaned the Company an additional $550,000, whereby the Company entered in to a promissory note secured by the assets of the Company. This note carries 12% interest. At December 31, 2013, the amount outstanding on the note payable was $550,000 and there was approximately $32,000 of accrued interest outstanding. The note was paid in full in conjunction with the transaction discussed in Note 10.

**Note 5. Line of Credit, Notes Payable, and Convertible Subordinated Debt (Continued)**

**Note payable:** In December 2013, the Company entered in to an unsecured promissory note with an unrelated party for $300,000. At December 31, 2013, the amount outstanding on the notes payable was $300,000 and there was approximately $50 of accrued interest outstanding. This note carries 6% interest and was paid in full in conjunction with the transaction discussed in Note 10.

**Convertible subordinated debt:** In April 2012, the Company entered in to a convertible subordinated debt agreement whereby the Company offered a maximum aggregate of $7.0 million in principal amount of Notes (“Notes”). Interest on the Notes accrued at the rate of 8.0% per annum. The Company was not obligated to make interest or principal payments on the Notes until the maturity date or an Event of Default, at which time all principal and accrued interest was payable. An “Event of Default” was defined as the bankruptcy (whether voluntary or involuntary) or insolvency of the Company, or a default of senior indebtedness of the Company. The Company had no option to prepay the Notes in whole or in part.

The Company issued $3,627,479 of Notes in 2012 and issued $5,557,214 of Notes in 2013. In May 2013, the Company offered holders of the convertible subordinated promissory notes to voluntarily convert the outstanding principal and accrued interest under the Notes into shares of a new Company Series A-2 Convertible Preferred Stock at a conversion price of $0.25, the price that would have been in effect on the maturity date of the Notes. On the conversion date, the Company issued 38,150,714 shares of Series A-2 Convertible Preferred Stock and retired $9,184,693 of convertible debt and $352,985 of accrued interest. The newly authorized Series A-2 Convertible Preferred Stock is identical to the Series A-1 Convertible Preferred Stock, except for its liquidation preference of $0.25 per share.

At December 31, 2013 and 2012 the amount outstanding on the convertible subordinated debt was $0 and $3,627,479, respectively, and there was $0 and approximately $147,000 of accrued interest outstanding, respectively.

**Note 6. Commitments and Contingencies and Related Party Transactions**

**Operating lease commitments:** The Company leases its facilities under non-cancelable operating leases. These operating leases require monthly payments ranging from approximately $1,400 to $32,000 and expire at various dates ranging from July 2014 through December 2016. Future minimum rental commitments under operating leases at December 31, 2013 are approximately as follows:

| Year Ending December 31, | |
|---|---|
| 2014 | $ 662,000 |
| 2015 | 671,000 |
| 2016 | 653,000 |
| | $ 1,986,000 |

Certain of the Company’s operating leases include escalating payment amounts. The Company is recognizing the related rent expense on a straight-line basis over the term of the lease. As of December 31, 2013 the Company had a deferred rent current asset of approximately $500 recorded in prepaid expenses and other on the consolidated balance sheet and a long-term deferred rent liability of approximately $73,000. As of December 31, 2012 the Company had deferred rent of approximately $9,000 classified as a current liability and approximately $70,000 classified as a long-term liability in the accompanying consolidated balance sheet. Rent expense for the years ended December 31, 2013 and 2012 were approximately $359,000 and $233,000, respectively.

**Note 6. Commitments and Contingencies and Related Party Transactions (Continued)**

**Capital lease obligations:** The Company leases computer equipment under capital leases. These obligations carry interest rates of 3% - 8% per annum, are due in varying monthly installments ranging from approximately $1,400 to $47,000, and expire at various dates through August 2016.

At December 31, 2013, future lease payments required under capital leases are as follows:

| Year Ending December 31, | | |
|---|---|---|
| 2014 | $ | 1,330,981 |
| 2015 | | 1,232,284 |
| 2016 | | 224,013 |
| | | 2,787,278 |
| Less amount representing interest | | (196,887) |
| Present value of net minimum lease payments | | 2,590,391 |
| Less current portion | | (1,192,204) |
| | $ | 1,398,187 |

**Litigation:** The Company, from time to time, is party to litigation arising in the ordinary course of its business. Although the results of litigation cannot be predicted with certainty, management does not believe that the outcome of these claims will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company based on the status of proceedings at this time.

**Related party transactions:** MaxZach LLC is an LLC of which the Company's Chief Executive Officer (CEO) owns 99%. MaxZach owns the property located at 401 S. Mill Avenue, Tempe, AZ and the Company rented approximately 4,000 square feet of commercial office space and pays approximately $6,600 per month for rent. The Company paid MaxZach approximately $79,000 during 2013 and 2012 each. There are no other costs associated with this lease. The lease expired in December 2013.

Frequency is a customer of the Company, and the Company's CEO is an investor in Frequency. In addition, an advisor to the Company is an officer of Frequency and is also an investor. The Company recognized revenue from the Frequency contract in the amount of approximately $53,000 and $6,000 in 2013 and 2012, respectively.

Nexeven is an investor in the Company and also acts as a reseller for the Company. Nexeven owns 5,333,333 shares of Series A-1 stock in the Company and has rights to acquire 1,333,333 shares of Unicorn common stock. The Company recognized revenue of approximately $233,000 and $49,000 from Nexeven in 2013 and 2012, respectively.

Accrued expenses at December 31, 2013 and 2012 include $645,000 of compensation to executives and/or stockholders. During 2012, 1,600,000 shares of common stock were issued to executives and/or stockholders in exchange for services performed. The Company recorded approximately $58,000 in compensation expense related to this issuance.

The Company believes that all related party transactions have been negotiated at arm's length.

**Note 7. Income Taxes**

The expense (benefit) from provision for income taxes in the accompanying consolidated financial statements consists of the following:

| | 2013 | 2012 |
|---|---|---|
| Current portion: | | |
| Federal | $ - | $ - |
| State | 1,650 | (125,714) |
| Total current | 1,650 | (125,714) |
| | | |
| Deferred benefit: | | |
| Federal | - | - |
| State | - | - |
| Total deferred | | - |
| Total expense (benefit) from income taxes | $ 1,650 | (125,714) |

The Company's effective income tax rate differs from the federal statutory income tax rate for the year ended December 31, 2013, due primarily to an increase in the deferred tax valuation allowance as a result of current year losses, net of research and development credits.

The approximate income tax effect of temporary differences that give rise to deferred tax assets and deferred tax liabilities as of December 31, 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| Deferred tax assets: | | |
| Loss carryforwards | $ 9,920,501 | $ 6,973,218 |
| Accrued liabilities | 281,412 | 409,241 |
| Allowance for doubtful accounts | 16,789 | 21,396 |
| Intangible assets | 94,802 | 2,081 |
| | 10,313,504 | 7,405,936 |
| Less valuation allowance | (9,991,005) | (7,349,691) |
| | 322,499 | 56,245 |
| Deferred tax liabilities: | | |
| Property and equipment | (322,499) | (56,245) |
| | $ - | $ - |

**Note 7. Income Taxes (Continued)**

As of December 31, 2013, the Company had federal and state net operating losses of approximately $27 million and $23 million, respectively, which are available to offset future taxable income, if any, through 2032. Net operating losses expire as follows:

| | Federal | State |
|---|---|---|
| 2014 | $ - | $ 3,500,000 |
| 2015 | - | 3,500,000 |
| 2016 | - | 4,000,000 |
| 2017 | - | 3,500,000 |
| 2018 | - | 8,500,000 |
| Thereafter | 27,000,000 | - |
| | $ 27,000,000 | $ 23,000,000 |

The Company accounts for uncertain tax positions under ASC 740, *Income Taxes*. At December 31, 2013 and 2012, the Company had no recorded liabilities for uncertain tax positions.

Interest and penalty charges, if any, related to uncertain tax positions would be classified as income tax expense in the accompanying consolidated statement of operations. At December 31, 2013 and 2012, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal tax jurisdiction and various state jurisdictions. Since the Company is in a loss carryforward position, the Company is generally subject to examination by the U.S. federal, state and local income tax authorities for all tax years in which a loss carryforward is available.

**Note 8. Stock-Based Compensation**

Under the Company's 2007 Long-Term Incentive Plan ("2007 Plan"), the Company has granted to employees, directors, consultants, and service providers options to purchase shares of the Company's common stock. The 2007 Plan provided for the issuance of incentive and non-qualified stock options, restricted stock, and other equity awards to the Company's employees, officers, directors, consultants and advisors, up to an aggregate of 26,500,000 shares of the Company's common stock. As of December 31, 2013, options to purchase shares of common stock remain outstanding at exercise prices ranging between $0.02 - $0.1135 per share.

Each option entitles the holder to purchase at any time, for a period specified in the option agreement, a number of shares of common stock specified in the option. Some options vest over time, some vest based on performance conditions, whereas others are fully vested upon grant. After the expiration of the period specified in each option agreement, option holders will have no further rights to exercise the options.

**Note 8. Stock-Based Compensation (Continued)**

The fair value of each option grant issued under the Company's stock-based compensation plans was estimated using the Black-Scholes option-pricing model that used certain management assumptions. The Company determined the volatility for options granted based on comparable public company data. The expected life of options is estimated at 7 years. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. The Company has not paid, and does not anticipate paying, cash dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. In addition, based on an analysis of the historical actual forfeitures, the Company applied an estimated forfeiture rate ranging from 13% - 20% in determining the expense recorded in the accompanying consolidated statements of operations.

The following is a summary of the status of the Company's stock options as of December 31, 2013 and the stock option activity during the years ended December 31, 2013 and 2012:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in Years) |
|---|---|---|---|
| Outstanding at December 31, 2011 | 7,629,473 | $ 0.02 | |
| Granted | 4,370,278 | 0.04 | |
| Exercised | (695,675) | 0.02 | |
| Canceled | (158,178) | 0.02 | |
| Outstanding at December 31, 2012 | 11,145,898 | $ 0.02 | 8.87 |
| Granted | 13,702,800 | 0.06 | 6.16 |
| Exercised | (1,369,323) | 0.02 | 4.38 |
| Canceled | (2,412,251) | 0.02 | 6.30 |
| Outstanding at December 31, 2013 | 21,067,124 | $ 0.05 | 5.40 |
| Exercisable at December 31, 2013 | 5,559,389 | $ 0.05 | 4.80 |
| Vested or expect to vest at December 31, 2013 | 19,009,992 | $ 0.05 | 5.40 |

The following is a summary of the options available for grant at December 31, 2013:

| | |
|---|---|
| Total shares approved for issuance under the 2007 Plan | 26,500,000 |
| Options granted | (28,286,843) |
| Options cancelled | 3,355,801 |
| Shares available for grant | 1,568,958 |

**Note 8. Stock-Based Compensation (Continued)**

The weighted-average fair value of options granted during the year ended December 31, 2013 was $0.06, per share. The weighted-average assumptions utilized to determine such values are presented in the following table as of the year ended December 31, 2013:

| | |
|---|---|
| Risk-free interest rate | .51% - .79% |
| Expected volatility | 65% - 90% |
| Expected life (in years) | 7 |
| Expected dividend yield | - |

As of December 31, 2013, there was approximately $1,047,000 of total unrecognized stock-based compensation expense related to unvested employee stock options issued under the Company's stock-based compensation plan that is expected to be recognized over a weighted-average period of 5.40 years. The total unrecognized stock-based compensation expense will be adjusted for future changes in estimated forfeitures.

The Company accounts for transactions in which services are received from non-employees in exchange for equity instruments based on the fair value of such services received, or of the equity instruments issued, whichever is more reliably measured. The Company determines the total stock-based compensation expense related to non-employee awards using the Black-Scholes option-pricing model.

For the years ended December 31, 2013 and 2012, total stock-based compensation expense was approximately $276,000 and $38,000, respectively.

In conjunction with the transaction discussed in Note 10, all outstanding options became fully vested in January 2014 and the option holders were paid out by the acquirer.

**Warrants:** The Company has granted warrants to investors (in conjunction with issuance of debt and equity) and Company advisors to purchase shares of the Company's common stock. During 2013, 450,000 warrants were issued to non-employees in exchange for advisory services provided to the Company. As of December 31, 2013, warrants to purchase 9,428,781 shares of common stock remain outstanding at exercise prices ranging between $0.02 - $0.1135 per share. Each warrant entitles the holder to purchase at any time, for a period specified in the warrant, a number of shares of common stock specified in the warrant. After the expiration of the exercise period specified in each warrant, generally 10 years, warrant holders will have no further rights to exercise the warrants. The Company recorded approximately $127,000 and $28,000 of expense during 2013 and 2012, respectively, in connection with the warrants, which was estimated using the Black-Scholes pricing model with consistent management assumptions as described above.

No warrants were exercised during the year ended December 31, 2013. Warrants to purchase 751,174 shares of Company common stock expired during 2013. Upon expiration, the warrants were extended one year. Included in warrant expense is approximately $71,000 related to these warrants.

Until the holders exercise the warrants, warrant holders do not have any voting or other rights as stockholders of the Company.

**Note 9. Stockholders' Equity**

The following describes the equity structure of the Company:

**Common stock:** At December 31, 2013, there were 155,000,000 shares authorized, 32,484,637 shares issued, and 27,709,570 shares outstanding of common stock, with a par value of $0.0001 per share. The holders of common stock are entitled to one vote for each share on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Subject to the preferences that may be applicable to any then-outstanding preferred stock, the holders of common stock will be entitled to receive such dividends, if any, as may be declared by the Board of Directors from time to time out of legally available funds. Upon the liquidation, dissolution, or winding up of the Company, the holders of common stock will be entitled to share ratably in all the assets that are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of holders of any preferred stock then outstanding. The voting dividend and liquidation rights of the common stockholders are subject to and qualified by the rights of the preferred stockholders. The holders of common stock have no preemptive, subscription, redemption, or conversion rights.

**Series A Convertible Preferred Stock:** At December 31, 2013, there were 19,311,018 shares authorized, issued and outstanding of Series A Convertible Preferred Stock ("Series A Preferred"), with a par value of $0.0001 per share. The shares have an aggregate liquidation preference of approximately $10,105,000 ($0.5233 per share). The Series A Preferred shares are convertible into common shares at an initial conversion rate of 1:1. Holders of Series A Preferred Stock are entitled to one vote per share, on an as-if-converted to common stock basis. Holders of Series A Preferred Stock are also entitled to dividends, if and when declared, at a rate determined by the Board of Directors. The dividends are non-cumulative. Upon receipt of the liquidation preference, the Series A Preferred shareholders do not participate with the common shareholders in the distribution of any additional funds.

**Series A-1 Convertible Preferred Stock:** At December 31, 2013, there were 39,689,525 shares authorized, issued and outstanding of Series A-1 Convertible Preferred Stock ("Series A-1 Preferred"), with a par value of $0.0001. The shares have an aggregate liquidation preference of approximately $5,953,000 ($0.15 per share). The Series A-1 Preferred shares are convertible into common shares at an initial conversion rate of 1:1. Holders of Series A-1 Preferred Stock are entitled to one vote per share, on an as-if-converted to common stock basis. Holders of Series A-1 Preferred Stock are also entitled to dividends, if and when declared, at a rate determined by the Board of Directors. The dividends are non-cumulative. Upon receipt of the liquidation preference, the Series A-1 Preferred shareholders do not participate with the common shareholders in the distribution of any additional funds.

**Series A-2 Convertible Preferred Stock:** At December 31, 2013, there were 38,150,714 shares authorized and 38,150,714 shares issued and outstanding of Series A-2 Convertible Preferred Stock ("Series A-2 Preferred"), with a par value of $0.0001. The shares have an aggregate liquidation preference of approximately $9,538,000 ($0.25 per share). The Series A-2 Preferred shares are convertible into common shares at an initial conversion rate of 1:1. Holders of Series A-2 Preferred Stock are entitled to one vote per share, on an as-if-converted to common stock basis. Holders of Series A-2 Preferred Stock are also entitled to dividends, if and when declared, at a rate determined by the Board of Directors. The dividends are non-cumulative. Upon receipt of the liquidation preference, the Series A-2 Preferred shareholders do not participate with the common shareholders in the distribution of any additional funds.

**Note 9. Stockholders' Equity (Continued)**

*Liquidation preference:*

In the event of a Liquidation Event (as defined), before any distribution or payment is made to any common stock holders, the preferred stock holders are entitled to be paid an amount equal to (i) $0.5233 per share of Series A Convertible Preferred Stock; (ii) $0.15 per share of Series A-1 Convertible Preferred Stock; and (iii) $0.25 per share of Series A-2 Convertible Preferred Stock. If upon such liquidation the amount to be distributed to the preferred stock holders is insufficient to permit full payment, then the assets available for payment or distribution shall be allocated amongst the holders of each class of preferred stock, pro rata, in proportion to the full respective preferential amounts to which the Series A Convertible Preferred Stock, Series A-1 Convertible Preferred Stock, and Series A-2 Convertible Preferred Stock are entitled. As further discussed in Note 10 below, a Liquidation Event occurred subsequent to December 31, 2013, at which time all liquidation preference amounts were paid in acquirer company stock.

*Voting:*

Each holder of preferred stock shall be entitled to vote with holders of all other classes and series of stock of the Company on all matters submitted to a vote of stockholders, and shall be entitled to the number of votes equal to the number of whole shares of common stock that such holder's shares of preferred stock could then be converted at the record date of such vote.

**Note 10. Subsequent Events**

The Company entered into an Asset Purchase Agreement and Plan of Reorganization (Agreement), dated January 6, 2014. Among other things, the Agreement provided substantially all Company assets to be sold for a purchase price of approximately $40,000,000. The transaction closed January 31, 2014.

The purchase price consisted of approximately $9,500,000 cash and 2,850,547 shares of common stock of the acquirer. The cash was utilized to cover (1) Company transaction expenses, (2) all vested non-qualified stock options and compensatory warrants to purchase common stock of the Company outstanding immediately prior to the closing, and (3) certain other liabilities of the Company.

Pursuant to the Company's Second Amended and Restated Certificate of Incorporation, the closing of the transaction further entitled holders of all Preferred A shares, Preferred A-1 shares, and Preferred A-2 shares the right to receive a liquidation preference totaling approximately $26,000,000 which was paid in the form of acquirer company common stock.

Exhibit 99.2

**Brightcove Inc.**

**Unaudited Pro Forma Condensed Combined Financial Statements**

The following unaudited pro forma condensed combined financial statements of Brightcove Inc. (the "Company") and Unicorn Media, Inc. and subsidiaries have been prepared to give effect to the acquisition of substantially all of the assets of Unicorn Media, Inc and subsidiaries by the Company pursuant to an Asset Purchase Agreement and Plan of Reorganization (the "Purchase Agreement"), dated as of January 6, 2014 by and among the Company, Cacti Acquisition LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company, Unicorn Media, Inc. ("Unicorn Media"), Unicorn Media of Arizona, Inc., an Arizona corporation ("Unicorn Arizona Sub"), U Media Limited, a private limited company registered in England and Wales ("Unicorn UK Sub" and, together with Unicorn Media and Unicorn Arizona Sub, "Unicorn"), and the Securityholders' Representative named therein. On January 31, 2014, the Company completed its previously announced acquisition of substantially all of the assets and certain liabilities of Unicorn in exchange for a combination of cash and common stock of the Company (the "Acquisition"). The unaudited pro forma condensed combined balance sheet as of December 31, 2013, and the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2013 is presented herein to reflect the Acquisition.

The unaudited pro forma condensed combined balance sheet combines the audited consolidated balance sheet of the Company and the audited consolidated balance sheet of Unicorn as of December 31, 2013 and gives effect to the Acquisition as if it been completed on December 31, 2013, including any adjustments to fair value required. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2013 combines the audited historical results of the Company and the audited historical results of Unicorn and gives effect to the Acquisition as if it had occurred on January 1, 2013.

The historical consolidated financial information of the Company and Unicorn has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the Acquisition, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial statements presented are based on the assumptions and adjustments described in the accompanying notes. The actual financial position or results of operations reported by the combined company in periods following the Acquisition may differ significantly from those reflected in these unaudited pro forma condensed combined financial statements for a number of reasons, including but not limited to the impact and benefits of the Acquisition, cost savings from operating efficiencies, synergies and the incremental costs incurred in successfully integrating and operating the Unicorn business. At December 31, 2013, the Company held a note receivable from Unicorn in the amount of $300,000, and Unicorn held a corresponding note payable, which have been eliminated in the unaudited pro forma condensed combined balance sheet presented herein. There were no other transactions between the Company and Unicorn during the periods presented in the unaudited pro forma condensed combined financial statements that would need to be eliminated. The unaudited pro forma condensed combined financial statements presented are based upon available information and assumptions that the Company believes are reasonable. The unaudited pro forma condensed combined financial statements are based upon the respective historical and pro forma financial information of the Company and Unicorn, and should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- the separate historical audited consolidated financial statements of the Company as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2014; and
- the separate historical audited financial statements of Unicorn as of December 31, 2013 and 2012, and for the years ended December 31, 2013 and 2012, included in Exhibit 99.1 of this Current Report on Form 8-K/A.

These unaudited pro forma condensed combined financial statements are presented for informational purposes only and do not purport to represent what the financial position or results of operations would actually have been if the Acquisition occurred as of the dates indicated or what such financial position or results will be for any future periods.

The unaudited pro forma condensed combined financial statements were prepared using the purchase method of accounting, whereby the Company is treated as the acquiring entity. Accordingly, consideration paid by the Company to complete the Acquisition was allocated to Unicorn's assets and liabilities based upon their estimated fair values as of the date of completion of the Acquisition. The pro forma purchase price adjustments are preliminary, subject to further adjustments as additional information becomes available along with the completion of the independent purchase price allocation and as additional analyses are performed, and have been made solely for the purpose of providing the unaudited pro forma condensed combined financial information presented below. Differences between these preliminary estimates and the final purchase accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company's future results of operation and financial position.

The Company expects to incur additional costs associated with integrating the businesses of the Company and Unicorn. The unaudited pro forma condensed combined financial statements do not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from any integration activities.

Based on the Company's preliminary review of Unicorn's summary of significant accounting policies disclosed in Unicorn's financial statements, the nature and amount of any adjustments to the historical financial statements of Unicorn to conform Unicorn's accounting policies to those of the Company's are not expected to be significant. Further review of Unicorn's accounting policies and financial statements may result in required revisions to Unicorn's policies and classifications to conform to the Company's.

**Unaudited Pro Forma Condensed Combined Balance Sheet**
**As of December 31, 2013**
(in thousands)

| | Historical December 31, 2013 Brightcove | Historical December 31, 2013 Unicorn | Pro Forma Adjustments | Pro Forma Combined |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 33,047 | $ 226 | $ (10,849) (a) | $ 22,724 |
| | | | 300 (k) | |
| Short-term investments | 3,061 | — | — | 3,061 |
| Restricted cash | 121 | — | — | 121 |
| Accounts receivable, net of allowance | 21,560 | 1,038 | — | 22,598 |
| Prepaid expenses and other current assets | 4,136 | 32 | — | 4,168 |
| Total current assets | 61,925 | 1,296 | (10,549) | 52,672 |
| Property and equipment, net | 8,795 | 2,726 | — | 11,521 |
| Intangible assets | 8,668 | 818 | 14,530 (c) | 23,198 |
| | | | (818) (i) | |
| Goodwill | 22,018 | — | 26,785 (b) | 48,803 |
| Restricted cash, net of current portion | 201 | — | — | 201 |
| Other assets | 1,519 | 155 | (300) (k) | 1,374 |
| Total assets | $ 103,126 | $ 4,995 | $ 29,648 | $ 137,769 |
| **Liabilities and stockholders' equity (deficit)** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 3,067 | $ 1,666 | $ — | $ 4,733 |
| Accrued expenses | 14,528 | 1,156 | — | 15,684 |
| Deferred revenue | 23,571 | 6 | — | 23,577 |
| Line of credit, related party | — | 431 | (431) (d) | — |
| Notes payable, related party | — | 550 | (550) (d) | — |
| Notes payable | — | 300 | (300) (k) | — |
| Capital lease obligations | — | 1,192 | — | 1,192 |
| Total current liabilities | 41,166 | 5,301 | (1,281) | 45,186 |
| Deferred revenue, net of current portion | 247 | 2 | — | 249 |
| Capital lease obligations, net of current portion | — | 1,398 | — | 1,398 |
| Other liabilities | 1,333 | 73 | — | 1,406 |
| Total liabilities | 42,746 | 6,774 | (1,281) | 48,239 |
| Commitments and contingencies | | | | |
| Stockholders' equity (deficit) | | | | |
| Preferred stock – undesignated | — | — | — | — |
| Convertible preferred stock | — | 10 | (10) (e) | — |
| Common stock | 29 | 3 | (3) (e) | 29 |
| Treasury stock | — | (96) | 96 (e) | — |
| Additional paid-in-capital | 176,928 | 26,832 | (26,832) (e) | 207,543 |
| | | | 30,615 (j) | |
| Stockholder notes receivable and interest receivable | — | (263) | 263 (e) | — |
| Accumulated other comprehensive loss | (453) | — | — | (453) |
| Accumulated deficit | (116,124) | (28,265) | 28,265 (e) | (117,589) |
| | | | (1,465) (f) | — |
| Total stockholders' equity (deficit) | 60,380 | (1,779) | 30,929 | 89,530 |
| Total liabilities and stockholders' equity (deficit) | $ 103,126 | $ 4,995 | $ 29,648 | $ 137,769 |

See accompanying notes to unaudited pro forma condensed combined financial statements.

**Unaudited Pro Forma Condensed Combined Statement of Operations**
**For the Year Ended December 31, 2013**
(in thousands, except per share data)

| | Historical December 31, 2013 Brightcove | Historical December 31, 2013 Unicorn | Pro Forma Adjustments | | Pro Forma Combined |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Subscription and support revenue | $ 103,116 | $ 5,717 | $ — | | $ 108,833 |
| Professional services and other revenue | 6,779 | — | — | | 6,779 |
| Total revenue | 109,895 | 5,717 | — | | 115,612 |
| Cost of revenue: | | | | | |
| Cost of subscription and support revenue | 29,205 | 2,263 | 1,019 | (g) | 32,487 |
| Cost of professional services and other revenue | 7,585 | — | — | | 7,585 |
| Total cost of revenue | 36,790 | 2,263 | 1,019 | | 40,072 |
| Gross profit | 73,105 | 3,454 | (1,019) | | 75,540 |
| Operating expenses: | | | | | |
| Research and development | 21,052 | 2,842 | 126 | (g) | 24,020 |
| Sales and marketing | 41,000 | 3,782 | 396 | (g) | 45,178 |
| General and administrative | 18,478 | 3,990 | 279 | (g) | 22,747 |
| Merger-related | 2,069 | — | (429) | (h) | 1,640 |
| Total operating expenses | 82,599 | 10,614 | 372 | | 93,585 |
| Loss from operations | (9,494) | (7,160) | (1,391) | | (18,045) |
| Other expense, net | (536) | (422) | — | | (958) |
| Loss before income taxes and non-controlling interest in consolidated subsidiary | (10,030) | (7,582) | (1,391) | | (19,003) |
| Provision for income taxes | 212 | 2 | — | | 214 |
| Consolidated net loss | (10,242) | (7,584) | (1,391) | | (19,217) |
| Net income attributable to noncontrolling interest in consolidated subsidiary | (20) | — | — | | (20) |
| Net loss | $ (10,262) | $ (7,584) | $ (1,391) | | $ (19,237) |
| Net loss per share attributable to common stockholders—basic and diluted | $ (0.36) | | | | $ (0.62) |
| Weighted-average number of common shares used in computing net loss per share attributable to common stockholders—basic and diluted | 28,351 | | 2,851 | (1) | 31,202 |

See accompanying notes to unaudited pro forma condensed combined financial statements.

**Note 1. Basis of Presentation (in thousands, except share and per share data, unless otherwise noted)**

On January 31, 2014, pursuant to an Asset Purchase Agreement and Plan of Reorganization (the "Purchase Agreement"), dated as of January 6, 2014, by and among Brightcove Inc. (the "Company"), Cacti Acquisition LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company, Unicorn Media, Inc. ("Unicorn Media"), Unicorn Media of Arizona, Inc., an Arizona corporation ("Unicorn Arizona Sub"), U Media Limited, a private limited company registered in England and Wales ("Unicorn UK Sub" and, together with Unicorn Media and Unicorn Arizona Sub, "Unicorn"), and the Securityholders' Representative named therein, the Company completed its acquisition of substantially all of Unicorn's assets in exchange for common stock of the Company and the assumption by the Company of certain liabilities of Unicorn (the "Acquisition"). The Company issued 2,850,547 unregistered shares of common stock of the Company and paid approximately $9,384 in cash to cover transaction-related expenses of Unicorn, bonus expenses payable by Unicorn, the assumption of Unicorn's liability to cash out all vested non-qualified stock options and compensatory warrants to purchase common stock of Unicorn outstanding immediately prior to the closing (including all Unicorn withholding obligations in connection therewith) and certain other liabilities of Unicorn. Based on a $10.74 price per share of the Company's common stock at the date of closing, the transaction is valued at approximately $39,999. Pursuant to the Purchase Agreement, 1,285,715 shares were placed into an escrow account. The accompanying unaudited pro forma condensed combined financial statements present the pro forma consolidated financial position and results of operations of the combined company based upon the historical financial statements of the Company and the historical financial statements of Unicorn, after giving effect to the acquisition of Unicorn and adjustments described in these footnotes, and are intended to reflect the impact of the Acquisition on the Company.

The unaudited pro forma condensed combined balance sheet combines the audited consolidated balance sheet of the Company as of December 31, 2013 and the audited consolidated balance sheet of Unicorn as of December 31, 2013 and gives effect to the Acquisition as if it had been completed on December 31, 2013. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2013 combines the audited historical results of the Company and the audited historical results of Unicorn and gives effect to the Acquisition as if it had occurred on January 1, 2013.

The Acquisition was accounted for using the purchase method of accounting in accordance with Accounting Standard Codification 805 - *Business Combinations*, and the Company's cost to acquire Unicorn has been allocated to the assets acquired and liabilities assumed based upon the respective preliminary estimate of fair values as of the date of the merger using assumptions that the Company's management believes are reasonable given the information currently available. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. The excess of the purchase price over the estimated amounts of net assets of $26,785 as of the effective date of the Acquisition was allocated to goodwill in accordance with the accounting guidance. The amounts allocated to acquired assets and assumed liabilities in the unaudited pro forma condensed combined financial statements are based on management's preliminary internal valuation estimates. Definitive allocations are being performed and finalized based on certain valuations and other studies performed by the Company with the services of outside valuation specialists. Accordingly, the purchase price allocation adjustments and related amortization reflected in the foregoing unaudited pro forma condensed combined financial statements are preliminary, have been made solely for the purpose of preparing these statements and are subject to revision based on a final determination of fair value.

Acquisition-related transaction costs (e.g., investment banker, advisory, legal, valuation, and other professional fees) are not included as a component of consideration transferred but are required to be expensed as incurred. The unaudited pro forma condensed combined balance sheet reflects the $1,465 of estimated acquisition-related transaction costs of both companies as a reduction of cash with a corresponding decrease in retained earnings. These costs are not presented in the unaudited pro forma condensed combined statement of operations because they will not have a continuing impact on the combined results.

The unaudited pro forma condensed combined financial statements do not reflect the expected realization of cost savings following the Acquisition or anticipated costs the Company will incur to realize such synergies, including retention payments. These savings are expected to result from streamlining of product development initiatives, rationalization of overlapping functional areas, such as sales and marketing and certain general and administrative functions. Although management expects that costs savings will result from the Acquisition, there can be no assurance that these cost savings will be achieved.

**Note 2. Purchase Price Allocation (in thousands, except share and per share data)**

The net purchase price of Unicorn was approximately $39,999, which consisted of 2,850,547 unregistered shares of the Company's common stock and approximately $9,384 of cash.

The following is a reconciliation of the preliminary estimate of the purchase price for Unicorn:

| | | | | |
|---|---|---|---|---|
| Number of shares of common stock of the Company issued to Unicorn stockholders | | 2,850,547 | | |
| Multiplied by the price per share of common stock of the Company (a) | $ | 10.74 | $ | 30,615 |
| Cash paid to Unicorn stockholders | | | | 9,384 |
| Estimated purchase price | | | $ | 39,999 |

(a) Represents the closing stock price of the Company's common stock as reported on the Nasdaq Global Market on January 31, 2014, the date of the completion of the acquisition of substantially all of the assets of Unicorn pursuant to the Purchase Agreement.

The total purchase price has been allocated to Unicorn's tangible assets, identifiable intangible assets and assumed liabilities based on a preliminary estimate of their fair values as of December 31, 2013. The excess of the purchase price over the tangible assets, identifiable intangible assets and assumed liabilities will be recorded as goodwill. The Company's estimates and assumptions in determining the estimated fair values of certain assets and liabilities are preliminary and are subject to change. The total purchase price was allocated as follows:

| | | |
|---|---|---|
| Tangible assets | $ | 4,177 |
| Liabilities assumed | | (5,493) |
| Identifiable intangible assets (Note 3c) | | 14,530 |
| Goodwill | | 26,785 |
| Total estimated purchase price | $ | 39,999 |

The preliminary fair value of the intangible assets has been estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to price the transaction, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital. Based on the preliminary valuation, the acquired intangible assets are comprised of existing technology of approximately $8,149, representing the cloud video ad insertion technology, customer relationship assets of approximately $5,065 and non-compete contracts of approximately $1,316. There was no in-process research and development identified.

The existing technology assets relate to currently marketed products. Given the uncertainties inherent with product development and introduction, there can be no assurance that any of the combined company's product development efforts will be successful on a timely basis or within budget, if at all. These preliminary estimates of fair value and estimated useful lives may vary materially from the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements. A 10% change in the valuation of definite lived intangible assets would cause a corresponding $182 annual increase or decrease in amortization expense. As the Company completes its fair value analysis, additional information may be obtained by the Company regarding the specifics of Unicorn's intangible assets, and additional insight may be gained that could impact: (i) the estimated total value assigned to intangible assets, (ii) the estimated allocation of value between definite-lived and indefinite-lived intangible assets and/or (iii) the estimated weighted-average useful life of each category of intangible assets. The estimated intangible asset values and their useful lives could be impacted by a variety of factors that may become known as the Company completes its final acquisition accounting.

After allocation of the preliminary purchase price to the estimated fair values of acquired assets and liabilities as of December 31, 2013, goodwill is approximately $26,785. The factors contributing to the recognition of the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the Acquisition. These benefits include the expectation that the combined company's complementary products will significantly broaden the Company's offering in cloud video ad insertion technology. The combined company will benefit from a broader global presence and with the Company's direct sales force and larger channel coverage, the combined company anticipates significant cross-selling opportunities.

Tangible assets acquired and assumed liabilities were valued at their respective carrying amounts recorded by Unicorn, as the Company believes that their carrying value amounts approximate their fair values at the acquisition date.

The pro forma condensed combined statement of operations does not reflect approximately $1,465 of estimated transaction expenses incurred by the Company after December 31, 2013.

The Company has not recorded any tax impact related to the Acquisition in the condensed combined pro forma financial statements. The Company is analyzing whether there are any limitations associated with Unicorn's deferred tax assets. Upon completing this analysis it may result in tax adjustments being recorded related to the Aquisition.

**Note 3. Pro Forma Adjustments (in thousands, except share data, unless otherwise noted)**

The following pro forma adjustments are based on preliminary estimates, which may change as additional information is obtained. Note that the following pro forma adjustments exclude the decrease in interest income that would have resulted based on the estimated decrease in the Company's cash available for investment as a result of $9,384 in cash utilized for the Acquisition, as the related interest that would have been earned would be immaterial.

(a) To record the following adjustments to cash:

| | | |
|---|---|---|
| Cash paid relating to acquisition | $ | 9,384 |
| Cash paid for acquisition-related transaction costs (1) | | 1,465 |
| | | |
| Cash used from the Company's cash and cash equivalents | $ | 10,849 |

(1) Transaction costs incurred after the December 31, 2013 balance sheets presented herein, which excludes $429 of transaction costs incurred by the Company prior to the acquisition date.

(b) To record the fair value of goodwill of $26,785.

(c) To establish the fair value of identifiable intangible assets resulting from the Acquisition:

| | | Fair Value | Estimated Useful Life (Years) |
|---|---|---|---|
| Technology | $ | 8,149 | 8 |
| Customer relationships | | 5,065 | 14 |
| Non-compete contracts | | 1,316 | 3 |
| | | | |
| Total identifiable intangible assets | $ | 14,530 | |

(d) To eliminate the indebtedness of Unicorn related to Unicorn's line of credit and notes payable paid in settlement by the Company in conjunction with the Acquisition.

(e) To eliminate the historical convertible preferred stock and stockholders' deficit accounts of Unicorn.

(f) To record transaction costs of $1,465 incurred by the Company after the December 31, 2013 balance sheets presented herein.

(g) To record amortization expense related to the intangible assets acquired to the following line items for the year ended December 31, 2013:

| | | |
|---|---|---|
| Cost of subscription and support revenue | $ | 1,019 |
| Research and development | | 126 |
| Sales and marketing | | 396 |
| General and administrative | | 279 |
| | | |
| Amortization of intangible assets expense | $ | 1,820 |

(h) To eliminate transaction costs of $429 incurred by the Company in the year ended December 31, 2013 in connection with the acquisition of Unicorn.

(i) To eliminate the intangible assets of Unicorn acquired by the Company in the Acquisition, which are primarily related to patent costs. The fair value of related patent costs is included as part of the Developed Technology intangible asset. The impact of patent amortization was excluded as it was not material.

(j) To record the fair value of the 2,850,547 shares issued in connection with the acquisition of Unicorn, which is based on the closing price of the Company's common stock at January 31, 2014 of $10.74.

(k) To eliminate the receivable of the Company and the associated indebtedness of Unicorn related to operational funding provided by the Company to Unicorn in conjunction with the Acquisition.

(l) To record the unregistered shares of common stock issued by the Company in conjunction with the acquisition.