Thunder Parent Inc.

Consolidated Financial Statements

December 31, 2017

armanino

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Thunder Parent Inc.
Nevada City, California

We have audited the accompanying consolidated financial statements of Thunder Parent Inc. and subsidiaries (a Delaware Corporation) (the "Company"), which comprise the consolidated balance sheet as of December 31, 2017 and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year ended December 31, 2017, 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 audit. We conducted our audit 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 Thunder Parent Inc. and subsidiaries as of December 31, 2017, and the results of their operations and their cash flows for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Armanino LLP

Armanino LLP
San Ramon, California

June 29, 2018

THUNDER PARENT INC.
Consolidated Balance Sheet
December 31, 2017
(In thousands, except share and per share data)

ASSETS

Current assets	
Cash	$ 4,960
Accounts receivable, net of allowance of $283	26,531
Inventories	4,446
Prepaid and other current assets	4,574
Income taxes receivable	107
Total current assets	40,618
Property and equipment, net	3,865
Goodwill	235,257
Intangible assets, net	85,016
Deferred tax asset	11,101
Other long-term assets	169
Total assets	$ 376,026

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	
Accounts payable	$ 5,057
Accrued compensation	4,787
Other accrued liabilities	1,299
Accrued interest	139
Debt, current portion, net of debt discount	4,495
Deferred revenue, current portion	35,634
Income taxes payable	991
Total current liabilities	52,402
Deferred revenue, net of current	3,124
Deferred tax liabilities	19,178
Debt, net of current portion and debt discount	177,012
Total liabilities	251,716
Stockholders' equity	
Common stock, $0.001 par value, 190,000,000 shares authorized; 159,173,059 shares issued and outstanding as of December 31, 2017	159
Additional paid-in capital	141,868
Accumulated other comprehensive loss	175
Accumulated deficit	(17,892)
Total stockholders' equity	124,310
Total liabilities and stockholders' equity	$ 376,026

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

THUNDER PARENT INC.
Consolidated Statement of Operations and Comprehensive Loss
For the Year Ended December 31, 2017
(In thousands)

Revenues	
Software	$ 31,467
Appliance	19,402
Maintenance	33,016
Services and other	3,365
Total revenues	87,250
Cost of revenues	
Software	3,215
Appliance	8,697
Maintenance	4,734
Services and other	2,336
Amortization of acquired developed and in-process technology	10,403
Total cost of revenues	29,385
Gross profit	57,865
Operating expenses	
Research and development	17,691
Sales and marketing	30,208
General and administrative	15,436
Amortization of intangible assets	6,884
Total operating expenses	70,219
Loss from operations	(12,354)
Other expenses	
Interest expense, net	(14,876)
Other expense, net	(103)
Total other expenses	(14,979)
Loss before income tax benefit	(27,333)
Income tax benefit	16,273
Net loss	(11,060)
Other comprehensive loss	
Foreign currency translation adjustment, net	222
Comprehensive loss	$ (10,838)

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

THUNDER PARENT INC.
Consolidated Statement of Stockholders' Equity
For the Year Ended December 31, 2017
(In thousands, except share and per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Stockholders' Equity
	Shares	Par Value				
Balance at December 31, 2015	152,311,501	$ 152	$ 152,806	$ (6)	$ (6,152)	$ 146,800
Issuance of common stock	149,457	-	129	-	-	129
Cash dividend declared ($0.14 per common share	-	-	(20,594)	-	-	(20,594)
Stock-based compensation expense	-	-	729	-	-	729
Net loss	-	-	-	-	(680)	(680)
Foreign currency translation adjustment, net	-	-	-	(41)	-	(41)
Balance at December 31, 2016	152,460,958	152	133,070	(47)	(6,832)	126,343
Issuance of common stock	6,813,111	7	7,995	-	-	8,002
Stock redemption	(101,010)		(100)	-	-	(100)
Stock-based compensation expense	-	-	903	-	-	903
Net loss	-	-	-	-	(11,060)	(11,060)
Foreign currency translation adjustment, net	-	-	-	222	-	222
Balance at December 31, 2017	159,173,059	$ 159	$ 141,868	$ 175	$ (17,892)	$ 124,310

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

THUNDER PARENT INC.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017
(In thousands)

Cash flows from operating activities	
Net loss	$ (11,060)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	1,493
Amortization of intangible assets	17,286
Amortization of debt discount	945
Stock-based compensation expense	903
Provision for doubtful accounts	156
Loss on disposal of property and equipment	5
Deferred income taxes, net	(17,204)
Income tax receivable	259
Changes in operating assets and liabilities	
Accounts receivable	(3,109)
Inventories	257
Prepaid and other current assets	(1,710)
Accounts payable	(200)
Accrued compensation	223
Other accrued liabilities	(1,330)
Accrued interest	111
Deferred revenue	18,277
Income taxes payable	(1,556)
Net cash provided by operating activities	3,746
Cash flows from investing activities	
Purchase of property and equipment	(1,306)
Acquisition of Ineoquest, net of acquired cash	(63,106)
Net cash used in investing activities	(64,412)
Cash flows from financing activities	
Payments on long-term debt	(1,407)
Payments on line of credit	(4,500)
Proceeds from line of credit	3,500
Proceeds from issuance of debt, net of debt discount	57,663
Proceeds from issuance of common stock	8,002
Common stock repurchased	(100)
Net cash provided by financing activities	63,158
Effect of exchange rate changes on cash	23
Net change in cash	2,515
Cash at beginning of period	2,445
Cash at end of period	$ 4,960
Supplemental cash flow information	
Cash paid for interest	$ 13,820
Cash paid for income taxes	$ 2,092

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

1. The Company and Summary of Significant Accounting Policies

The Company

Thunder Parent Inc. (the "Company") is a Delaware corporation that was incorporated in January 2015. On January 15, 2015, the Company completed the acquisition of all the outstanding equity of Telestream Holdings Corporation ("Telestream"). Telestream specializes in products that make it possible to transfer video content to any audience regardless of how it is created, distributed or viewed. Throughout the entire digital media lifecycle, from capture to viewing, for consumers through high-end professionals, Telestream products range from desktop components and cross-platform applications to fully-automated, enterprise-class digital media transcoding and workflow systems. Telestream enables users in a broad range of business environments to leverage the value of their video content.

Telestream customers include the world's leading media and entertainment companies, content owners, creators and distributors. In addition, a growing number of companies supplying and servicing much larger markets such as ad agencies, corporations, healthcare providers, government and educational facilities, as well as video prosumers and consumers, are turning to Telestream to simplify the access, creation and exchange of digital media. The Company is headquartered in Nevada City, California.

Basis of presentation

The consolidated financial statements include the accounts of Thunder Parent Inc. and its wholly-owned subsidiaries. The Company owns 100% of the interests in Telestream LLC, which owns 100% of Telestream GMBH located in Germany and Telestream UK, Ltd (FKA Vidcheck Ltd), located in the United Kingdom. Telestream GMBH provides sales and support services to customers located in the EMEA region. Telestream UK, Ltd develops and supports the Quality Control products for the Company. The Company also owns 100% of IneoQuest, Inc., which owns 100% of IneoQuest Technologies Deutschland GMBH, IneoQuest Technologies Ltd., IneoQuest Technologies Hong Kong, Limited, IneoQuest Technologies PTE Ltd., and IneoQuest Technologies Mexico. All intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates include the allocation of purchase price to various intangibles at fair value, the useful lives of such intangibles, the Company's assessment of possible impairment of its intangibles and long-lived assets, revenue recognition, allowance for doubtful accounts, useful lives of long-lived assets, and income taxes. Actual results could differ from those estimates.

1. The Company and Summary of Significant Accounting Policies (continued)

Revenue recognition

The Company's revenues consist of sales of hardware products (which include required embedded software that works together with the hardware to deliver the hardware's essential functionality), software license fees and related maintenance and support contracts, and professional services.

Revenues are recognized when all of the following conditions are met:

- There is persuasive evidence of an arrangement;
- Delivery has occurred;
- The amount of fees to be paid by the customer is fixed or determinable; and
- Collectability of the fee is reasonably assured.

Multiple-element arrangements are concurrent customer purchases of a combination of the Company's software, appliance, maintenance and service offerings that may be delivered at various points in time. For multiple-element arrangements comprised only of hardware products and related services, the Company allocates the total arrangement consideration to the multiple elements based on each element's estimated selling price compared to the total relative selling price of all the elements. Each element's estimated selling price is based on management's best estimate of selling price ("BESP") paid by customers based on the element's historical pricing when vendor specific objective evidence ("VSOE") or third party evidence ("TPE") does not exist. The Company has established BESP for product elements as the average selling price the element was sold for over the past four quarters, whether sold alone or sold as part of a multiple-element transaction. The Company's internal list price for products with consideration in regards to changing factors in technology and in the marketplace is generated to target the desired gross margin from sales of product after analyzing historical discounting trends. The Company reviews sales of the product elements on an annual basis and updates, when appropriate, BESP for such elements to ensure that it reflects recent pricing experience. The Company has established VSOE for most of its services related elements.

For multiple-element arrangements comprised only of software products and related services, for the undelivered elements the Company maintains VSOE for the Company allocates a portion of the total arrangement consideration to the undelivered elements, primarily support agreements and professional services. The remaining portion of the total arrangement consideration is allocated to the delivered software, referred to as the residual method. VSOE of fair value of the undelivered elements is based on the price customers pay when the element is sold separately. The Company reviews the separate sales of the undelivered elements on a quarterly basis and updates, when appropriate, its VSOE of fair value for such elements to ensure that it reflects recent pricing experience.

1. The Company and Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

If the Company cannot objectively determine the VSOE of the fair value of any undelivered software element, revenue is deferred until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements. In arrangements for which services are the only undelivered element, the Company recognizes revenues for software upon delivery and maintenance ratably over the maintenance term.

For multiple-element arrangements comprised of a combination of hardware and software elements, the total arrangement consideration is bifurcated between the hardware and hardware-related deliverables and the software and software-related deliverables based on the relative selling prices of all deliverables as a group. Then, arrangement consideration for the hardware and hardware-related services is recognized upon delivery or as the related services are provided as outlined above and revenue for the software and software-related services is allocated following the residual method and recognized based upon delivery or as the related services are provided as outlined above.

The Company's software is generally delivered electronically to its customers. When software is physically shipped to its customers, substantially all of these arrangements contain terms Freight on Board ("FOB") shipping point. Revenues from shipping and handling are included in other revenues and its related cost is included in cost of other revenues.

Maintenance and support contracts generally cover a one-year term and are paid for in advance. Revenues from maintenance and support contracts are recognized ratably over the term of the contract. Professional service revenues are recognized as the services are provided.

The Company typically grants its customers net 30 to net 90 days payment terms, but some payments are collected in advance via check, wire or credit card upon receipt of an order. The Company's practice is to not allow its customers to return their software products and enforce the terms of the contracts. Past sales returns have been insignificant.

The Company sells its software, appliances, and related maintenance services directly through telesales and field sales organizations in North America, Latin America, EMEA and APAC and indirectly through distribution partners worldwide.

The Company records the sale of product and services to customers as gross revenue when the Company is the principal in the arrangement and net of the associated costs incurred when the Company is not considered the principal in the arrangement.

1. The Company and Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Products may be sold through distributors or resellers in the United States and certain international markets. Revenues from software license fees and appliances sold through distributors or resellers are generally recognized on the sell-in basis. Such resellers purchase licenses solely for end-user arrangements, which are specifically identified on the reseller purchase order, rather than for their inventory. The Company grants no refunds or price adjustment rights to its resellers.

Cost of software, appliance, maintenance, and services and other

Cost of software and appliance revenues includes costs associated with software products, hardware products, and royalties for third-party embedded software. Cost of maintenance and services and other revenues includes costs to provide support and maintenance, largely consisting of salaries and related expenses, for customer support personnel, and royalties for third-party embedded software.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation, computed using the straight-line method based over the estimated useful lives of the assets, generally ranging from three to seven years. Depreciation commences upon placing the asset in service. Leasehold improvements are amortized over the shorter of the useful life or the remaining lease term. Depreciation expense was approximately $1,493,000 for the year ended December 31, 2017. The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Debt discounts

Amortization of debt discounts are recorded as interest expense using the effective interest method, over the term of the related debt.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on a standard cost basis which approximates actual costs of a first-in, first-out ("FIFO") basis and market being determined as the lower of replacement cost or net realizable value. The Company records write-downs of inventories which are obsolete or in excess of anticipated demand or market value based on consideration of appliance lifecycle stage, technology trends, appliance development plans and assumptions about future demand and market conditions.

1. The Company and Summary of Significant Accounting Policies (continued)

Inventories (continued)

Inventories as of December 31, 2017 are composed of approximately $2,766,000 in finished goods and approximately $1,680,000 in component parts.

Goodwill and other intangible assets

Goodwill is the excess of costs over fair value of net assets of the business acquired. Goodwill and other intangible assets acquired that are determined to have an indefinite useful life are not amortized but are tested for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective useful lives and reviewed for impairment.

Other intangible assets are recorded at fair value, net of accumulated amortization. Amortization is recognized using the straight-line method over estimated useful lives of the assets with the exception of customer relationships which are amortized using an accelerated method.

Impairment of long-lived assets

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, significant underperformance relative to historical or projected future operating results and significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value. For the year ended December 31, 2017 no impairment loss was recorded related to long-lived assets.

Financial instruments

The Company's consolidated balance sheets includes the following financial instruments: cash, accounts receivable, accounts payable, accrued liabilities, and debt obligations. The carrying values of accounts receivable, accounts payable, and accrued liabilities approximate their fair values given their short maturities. The fair value of the Company's long-term debt approximates the carrying value due to the variable stated rates in these instruments approximating the fair value and the value of the collateral underlying these obligations.

1. The Company and Summary of Significant Accounting Policies (continued)

Concentration of credit risk

Cash and accounts receivable are financial instruments that potentially expose the Company to credit risk. At times, cash balances held at financial institutions were in excess of federally insured limits; however, the Company primarily places its temporary cash with high-credit quality financial institutions. The Company has not experienced any losses on its deposits of cash.

Trade accounts receivable are recorded at invoiced or to be invoiced amounts and do not bear interest. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. An allowance for doubtful accounts was established based on various factors including credit profiles of the customers, contractual terms and conditions, historical payments and current economic trends. The Company reviews the allowance monthly by assessing individual accounts receivable over a specific aging and amount. Accounts receivable are written off on a case-by-case basis, net of any amounts that may be collected.

No single customer accounted for more than 10% of the Company's accounts receivable at December 31, 2017. For the year ending December 31, 2017, no single customer accounted for more than 10% of the total revenue.

Income taxes

The income tax provision is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

GAAP requires, a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company records a liability for the difference between the benefit recognized and measured pursuant to ASC 740 and the tax position taken or expected to be taken on the Company's tax return. The Company's policy for classifying interest and penalties associated with unrecognized income tax benefits is to include such items as tax expense.

1. The Company and Summary of Significant Accounting Policies (continued)

Income taxes (continued)

To the extent that the assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes may be due. These reserves are established when the Company believes that certain positions might be challenged despite the Company's belief that the tax return positions are fully supportable. The reserves are adjusted in light of changing facts and circumstances, such as the outcome of a tax audit. The income tax provision includes the impact of reserve provisions and changes to reserves that are considered appropriate.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits within the income tax provision. The Company recognized no material interest and penalties for the year ending December 31, 2017.

Warranties and indemnifications

The Company generally provides a warranty for its software and appliance products and services to its customers and accounts for its warranties. The standard warranty period is 90 days, but warranty periods can sometimes be longer and vary from customer to customer. The Company did not provide for a separate warranty accrual as of December 31, 2017. To date, the Company's product warranty claims and expense has not been significant.

The Company generally agrees to indemnify its customers against legal claims that its software products infringe certain third-party intellectual property rights and accounts for its indemnification obligations under GAAP. To date, the Company has not been required to make any payment resulting from infringement claims asserted against customers and has not recorded any related accruals.

Under the Company's bylaws, the Company has certain indemnification obligations with respect to its officers and directors and others serving in specified roles on behalf of and at the request of the Company. To date, the Company has not been required to make any payment resulting from claims asserted against the Company.

Loss contingencies

The Company is subject to the possibility of various losses arising in the ordinary course of business. An estimated loss contingency is accrued when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company regularly evaluates current information available to it to determine whether any accruals should be adjusted and whether new accruals are required.

1. The Company and Summary of Significant Accounting Policies (continued)

Foreign currency translation

The functional currencies of the Company's foreign subsidiaries are their respective local currencies. The Company translates the assets and liabilities of each of its international subsidiaries into the U.S. dollar at the current rate of exchange in effect at the end of the accounting period. Revenues and expenses are translated using a rate that approximates the average of those in effect during the period. Gains and losses from translation adjustments are included in stockholders' equity in the consolidated statement of stockholders' equity as a component of accumulated other comprehensive loss.

Research and development costs

Research and development expenses are expensed as incurred. Research and development expenses consist primarily of compensation and related costs for personnel responsible for the research and development of new products and services, as well as significant improvements to existing products and services.

Advertising costs

Advertising costs are expensed as incurred. These costs, included in sales and marketing, were approximately $180,000 for the year ended December 31, 2017.

2. Business Combinations

IneoQuest Technologies, Inc. ("IneoQuest")

The Company purchased IneoQuest Technologies, Inc ("IneoQuest"), a Delaware Corporation, on March 24, 2017. IneoQuest QoS monitoring is a natural adjacent product offering for the Company. This acquisition was done in order to expand the product offerings and customer base in content delivery.

The components to the purchase consideration are as follows (in thousands):

Cash paid, net of cash acquired	$62,986
Earnout	120
Total purchase consideration	$63,106

2. Business Combinations (continued)

IneoQuest Technologies, Inc. ("IneoQuest") (continued)

The purchase price was allocated based on the fair value of the assets acquired and liabilities assumed. The goodwill recorded was a result of the excess of the consideration paid over the estimated fair value of the net assets acquired. The results of operations attributable to IneoQuest are included in the consolidated financial statements from the date of acquisition.

The purchase price was allocated as follows (in thousands):

	March 24, 2017
Cash	$ 542
Accounts receivable	6,848
Inventory	1,856
Prepaid expense and other	1,387
Property, plant and equipment	2,048
Accounts payable	(3,885)
Accrued liabilities and other	(460)
Income taxes payable	(229)
Deferred tax liability, net	(7,873)
Deferred revenue	(5,810)
Net liabilities assumed	(5,576)
Intangible assets acquired	
Developed technology	7,300
Customer relationships	22,600
Trademarks	1,600
Goodwill	37,724
Total purchase consideration	63,648
Less: Cash acquired	(542)
Total purchase consideration, net of cash acquired	$63,106

The fair value of the projected earnout was estimated to be $120,000 and was based on the average present value of future revenue simulations. The revenue related to the contingent earnout provisions did not exceed $44,000,000 during the measurement year ended January 31, 2018 and therefore no contingent earnout was earned by IneoQuest.

The excess of the purchase price over the estimated value of the net liabilities assumed was allocated to various intangible assets, consisting of developed technology, customer relationships, trademarks, and goodwill.

2. Business Combinations (continued)

IneoQuest Technologies, Inc. ("IneoQuest") (continued)

The fair value of customer relationships of $22,600,000 was based on the present value of future cashflows and will be amortized using the sum of the years digits method over 10 years.

The fair value of developed technology of $7,300,000 was based on the present value of future cashflows from license royalty payments based on the assumption that the developed technology will maintain functionality in the near term and fall off quicker in outer years and will be amortized on a straight-line basis over 7 years.

The fair value of trademarks of $1,600,000 was based on the present value of future cashflows from license royalty payments based on all sales from BEV and will be amortized on a straight-line basis over 7 years.

In 2017, intangible amortization for customer relationships, developed technology and trademarks was $3,779,000.

The goodwill as a result of the acquisition is not being amortized.

3. Goodwill and Other Intangible Assets

The following table summarizes the components of goodwill, other intangible assets and related accumulated amortization balances as of December 31, 2017 (in thousands):

	Weighted Average Life (in months)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill	-	$235,257	$ -	$235,257
Other intangible assets:	52	69,317	(28,100)	41,217
Developed technology				
In-process research and development	24	1,200	(639)	561
Customer relationships	125	46,389	(11,455)	34,934
Trademarks and trade name	159	11,300	(3,047)	8,253
Purchased domain names	-	50	-	50
Total other intangible assets	-	$128,256	$(43,240)	$ 85,016

3. Goodwill and Other Intangible Assets (continued)

For the year ended December 31, 2017 and the Company recognized amortization expense of intangible assets of approximately $17,286,000. These amounts have been reported as separate line items on the Company's consolidated statements of operations, including the amortization of acquired developed and in-process technology within cost of revenues.

As of December 31, 2017, the estimated future amortization expense of other intangible assets in the table above is as follows (in thousands):

Fiscal Year	Estimated Amortization Expense
2018	$13,769
2019	13,769
2020	13,488
2021	13,488
2022	7,147
Thereafter	23,355
	$85,016

The Company performed an annual impairment test for goodwill and determined that goodwill was not impaired. In performing the impairment test, the Company determined that it had one reporting unit. The Company evaluates goodwill at least on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable from its estimated future cash flow. No assurances can be given that future evaluations of goodwill will not result in charges as a result of future impairment. Goodwill of $195,809,000 created at inception, January 16, 2015, is not deductible for tax purposes. Goodwill of $4,700,000 from the acquisition of CPC during 2013 and goodwill of $1,131,000 from the acquisition of PandaStream in 2015 are deductible for tax purposes and are being amortized over 15 years. Goodwill of $593,000 from the acquisition of Vidcheck is not deductible for tax purposes. Goodwill of $37,724,000 from the acquisition of Ineoquest is not deductible for tax purposes.

4. Property and Equipment, net

Significant components of property and equipment are as follows as of December 31, 2017 (in thousands):

Property and equipment	$1,820
Computer equipment and software	3,702
Furniture and fixtures	735
Leasehold improvements	1,122
Less: accumulated depreciation	(3,514)
Property and equipment, net	$3,865

5. Debt

On January 16, 2015 (inception), the Company entered into a new Credit Agreement with Silicon Valley Bank ("SVB") that includes $120,500,000 in term loan and a revolving line of credit and a swingline commitment totaling $5,000,000, for a total facility of $125,500,000. The loans were funded through four notes payable executed with SVB and three additional lenders, with SVB acting as administrative agent for all lender notes. The proceeds of the term loan were used to fund the acquisition of Telestream by the Company.

Under the terms of the Credit Agreement the interest rate for both the term loan and the revolving loan is set under one of two methods at the choice of the borrower: 1) 90 Day LIBOR plus 6.43% with a LIBOR floor of 1%, or 2) Bank Reference rate plus 5.43% with a 2.75% floor for the bank rate. As of December 31, 2015, the 90 Day LIBOR rate that applied to the loan was 7.43%.

Modification of debt

On February 12, 2016, the Company entered into a First Amendment ("Amendment") to the January 15, 2016 credit agreement between the Company and Telestream and SVB as the Issuing Lender and Administrative agent for the lending group. Under the Amendment, the aggregate principal available under the term loans increased by $14,259,000 to $132,500,000 in total. Two of the existing lenders and two new lenders participated in the increase in the loan commitment. As part of the Amendment, the Company paid commitments fees to the lenders of 2% of the increased amount and 0.25% of the outstanding principal before the amendment, as well as the legal fees for the lender. The total lender fees and expenses recorded as a discount from the loan proceeds was approximately $765,000.

5. Debt (continued)

Under the Amendment, the applicable margins for calculating interest rates increased by 0.34% and the resulting rate applicable to the loan increased to 7.77% per annum effective February 13, 2016. The quarterly principal payment amount was also increased from approximately $753,000 to approximately $828,000 starting with the March 31, 2016 payment. The fixed charge and leverage ratios for covenant purposes were also adjusted to reflect the new borrowings starting with the quarter ending March 31, 2016.

The term loan matures January 15, 2020 and principal payments, initially set at approximately $828,000 per quarter, are payable for quarters ending March 31, 2016 to December 31, 2019. The loan also calls for mandatory annual principal payments of excess cash. These payments, if made, result in a prorata reduction of future quarterly principal payments. Interest expense incurred during the years ended December 31, 2017 totaled approximately $13,932,000.

On March 24, 2017 the Company completed the acquisition of all the issued and outstanding shares of IneoQuest Technologies, Inc. (IneoQuest) for the purchase price of $63,648,000. The purchase was financed primarily through the issuance of new debt with the remainder coming from the issuance of common stock and cash on hand. The new debt was raised under an amended credit agreement with the existing lender group. Under the debt agreement three new lenders joined the financial group. In addition, principal was increased by $60,800,000 to $187,500,000, the revolving commitment was increased to $10,000,000 and the loan term was extended to March 24, 2022. There was a slight reduction in the annual interest rate, applicable margins and the annual principal amortization was reduced to 1%.

The applicable margins for calculating interest rates decreased by 17 basis points and the resulting rate applicable to the loan decreased to 7.60% per annum effective March 24, 2017. The quarterly principal payment amount was also decreased from approximately $828,000 to approximately $468,000 starting with the June 30, 2017 payment. The fixed charge and leverage ratios for covenant purposes were also adjusted to reflect the new borrowings starting with the quarter ending March 31, 2017.

The term loan matures on March 24, 2022 and principal payments, initially set at approximately $468,000 per quarter, are payable for quarters ending December 31, 2017 to March 31, 2018. The loan also calls for mandatory annual principal payments of excess cash. These payments, if made, result in a pro-rata reduction of future quarterly principal payments.

Interest expense incurred during the year ended December 31, 2017 totaled approximately $14,876,000.

5. Debt (continued)

The costs associated with obtaining the Credit Agreement were recorded as a reduction to the carrying amount of the loan, and are being amortized as interest expense over the term of the loan. The unamortized debt discount balance totaled $4,586,000 as of December 31, 2017, with amortization expense totaling $945,000 for the year ending December 31, 2017.

A summary of the principal payments due under the debt agreement is as follows as of December 31, 2017 (in thousands):

Fiscal Year	Amount Due
2018	$ 1,853
2019	1,773
2020	1,695
2021	1,608
2022	179,164
Total debt	186,093
Less: debt discount	(4,586)
Term loan, net of discount	181,507
Less: current portion	(4,495)
Long term portion	$177,012

As of December 31, 2017 the amount outstanding under the revolving loan was $0.

Credit facility covenants

The credit facilities require the Company to maintain and meet certain financial covenants, among other restrictions, including fixed charge coverage ratio and consolidated leverage ratio. Further, the credit facilities contain negative covenants limiting the ability of the Company and its subsidiaries, among other things, to incur debt, grant liens, make acquisitions, enter into mergers, consolidations, make certain restricted payments, make investments and sell assets. The events of default under the credit agreements include payment defaults, breaches of covenants, and insolvency events. As of and for the year ended December 31, 2017, the Company was in compliance with all covenant requirements.

6. Income Taxes

Loss before income tax benefit consists of the following for the year ended December 31, 2017 (in thousands):

Domestic	$(27,144)
Foreign	(189)
	$(27,333)

Current	
Federal	$ 141
State	560
Foreign	(80)
	621
Deferred	
Federal	(16,075)
State	(820)
Foreign	-
	(16,894)
Total income tax benefit	$(16,273)

The income tax benefit differs from the amount computed by applying the U.S. federal statutory income tax rate to loss before income taxes as follows for the year ended December 31, 2017 (in thousands):

Federal tax benefit at statutory rate (34%)	$ (9,293)
State tax benefit net of federal effect	(1,142)
Foreign taxes	(14)
Permanent differences	66
Research credits generated (net of reserves)	(725)
Acquisition costs	417
Return to provision true-up	(14)
Change in federal tax rate	(5,490)
Change in accrual of uncertain positions	(264)
Other true-up of deferred taxes	186
Total income tax benefit	$(16,273)

6. Income Taxes (continued)

The primary components of the net deferred tax assets (liabilities) are as follows as of December 31, 2017 (in thousands):

Intangible assets	$ (18,953)
Research tax credits	6,415
Amortizable acquisition costs	366
Accrued expenses	596
Equity compensation	588
Inventory reserve and unicap	250
Deferred revenue	2,801
Depreciable fixed assets	(225)
Net operating losses (state only)	1,287
Other deferred tax assets	63
Gross deferred tax liabilities	(6,812)
Less: valuation allowance	(1,265)
Net deferred tax liabilities	$ (8,077)
Deferred tax assets	$ 11,101
Deferred tax liabilities	$ (19,178)

At December 31, 2017 the Company had Federal net operating loss carryforwards ("NOLs") of $5,167,000 and Massachusetts and California state NOLs of $2,607,000. At December 31, 2017 the Company had federal research tax credit carryforwards of $3,596,000 and Massachusetts and California state research tax credit carryforwards of approximately $6,121,000. The California and Massachusetts state credits have no expiration date, except for a small portion of the Massachusetts credits that expire in 5 years. Utilization of the credits may be subject to annual limitation due to the ownership percentage change limitations provided by the Internal Revenue Code of 1986 and similar state provisions. The annual limitation will not result in the expiration of the California credits or Massachusetts before utilization as there is no expiration date. A valuation allowance of $1,265,000 has been recorded against the Deferred Tax asset for the Massachusetts credits for risk of not generating enough taxable income to obtain the benefit.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon the reversal of deferred tax liabilities and expected future income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deferred tax assets (net of the valuation allowance referenced above) at December 31, 2017.

6. Income Taxes (continued)

The Company files income tax returns in the U.S. federal jurisdiction, state jurisdictions, and foreign jurisdictions. As of December 31, 2017 the Company was no longer subject to income tax examinations for taxable years before 2014 for U.S. federal taxing authorities, and taxable years generally before 2013 in the case of state taxing authorities. Net operating losses generated on a tax return basis by the Company for the tax years 2012 to 2016 remain open to examination by the major domestic taxing jurisdictions. Credits generated in years back to 2002 remain unused and credits used in open year arose in years back to 2007 and remain subject to examination.

As of December 31, 2017 the Company made no provision for a cumulative total of approximately $935,000 of undistributed earnings for certain non-U.S. subsidiaries, which are considered to be permanently reinvested.

As of December 31, 2017, the total amount of gross unrecognized tax benefits was $810,000 (includes $50,000 of interest and penalties). As of December 31, 2017 the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $810,000. The Company estimates that there will be no material change in its uncertain tax positions in the next 12 months. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. Total interest and penalties recognized in the consolidated statement of operations was $50,000 for 2017.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("TCJA"), thereby enacting the law. This law will have significant impact on the Company's U.S. taxes. Changes include, but are not limited to, a federal corporate tax rate decrease from 34% to 21%, effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings. The Company has calculated its best estimate of the impact of the Act in its year end income tax provision in accordance with its understanding of the Act and guidance available as of the date of this filing.

Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when the company does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. The FASB has indicated that private companies may also apply SAB 118, which established that companies' financial statements should include:

1. Income tax effects of TCJA for which the ASC 740 accounting is complete;
2. Provisional income tax effects for specific TCJA components for which the ASC 740 accounting is incomplete but a reasonable estimate can be made; or
3. For specific TCJA components for which a reasonable estimate cannot be made, the registrant should apply pre-TCJA law when determining the tax effects to include in the financial statements.

6. Income Taxes (continued)

In accordance with SAB 118, the Company has determined that the $5,490,000 benefit recorded in connection with the re-measurement of certain deferred tax assets and liabilities was a provisional amount and a reasonable estimate at December 31, 2017. Additional work is necessary for a more detailed analysis of its deferred tax assets and liabilities. In addition, the Company has determined that its calculation of the deemed repatriation of foreign earnings is provisional as it requires additional analysis. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was immaterial based on cumulative foreign deficits from its foreign subsidiaries. Any subsequent adjustment to these amounts may be recorded to current tax expense in the quarter of 2018 when the analysis is complete.

The Act subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. Given the complexity of the GILTI provisions, the Company is still evaluating the effects of the GILTI provisions and have not yet determined its accounting policy. At December 31, 2017, because the Company is still evaluating the GILTI provisions and its analysis of future taxable income that is subject to GILTI, it is unable to make a reasonable estimate and has not reflected any adjustments related to GILTI in its financial statements

7. Equity Incentive Plan

On January 16, 2015 (inception) the Company's stockholders approved the Thunder Parent Inc. 2015 Equity Incentive Plan (the "2015 Plan"). The 2015 Plan allows for the issuance of stock options, SARs, restricted stock awards, unrestricted stock awards, stock units including restricted stock units, performance awards and awards up to 16,923,500 shares of common stock to employees, officers, directors, consultants and advisers of the Company. As of December 31, 2017, the Company had reserved approximately 3,150,000 shares of common stock available for future issuance of equity awards under the 2015 Plan.

For the year ended December 31, 2017, total stock-based compensation expense for stock options was approximately $903,000. For the year ended December 31, 2017, the Company recognized tax benefits associated with stock options of approximately $235,000.

7. Equity Incentive Plan (continued)

The Company uses the Black-Scholes-Merton option pricing model to determine the fair value of the Company's stock option awards. This model requires the input of subjective assumptions, including expected stock price volatility and the estimated term of each award. The estimated fair value of the Company's stock-based awards, less expected forfeitures, is amortized over the awards' vesting period on a straight-line basis. Expected volatilities are based on the average of comparable company's historical stock price volatility and implied volatility from traded options in its stock. The Company uses historical data to estimate the expected term of options granted within the valuation model. The risk-free interest rate for periods commensurate with the expected term of the option is based on the U.S. Treasury yield rate in effect at the time of grant. The expected dividend yield is zero, as the Company currently does not pay a dividend and does not anticipate doing so in the future.

Stock options are issued with a maximum term of 10 years. The Company grants options with service and performance-based vesting components. Generally, the service-based component vests at a rate of 20% annually over five years. The performance-based component will vest at a rate of 50% upon the achievement of certain financial targets. The options cease vesting once the grantee is no longer an employee or providing services to the Company.

The grant-date fair values of the Company's stock option awards granted during the period ending December 31, 2017 were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

Expected term (in years)	5.6 - 10
Risk-free interest rate	2.0 - 2.4%
Expected volatility	37.6 - 42.9%
Dividend yield	0%

The following table summarizes stock option activity for the year ended December 31, 2017:

	Shares Available	Options Outstanding	Exercise Price per Share	Average Remaining Contractual Term (Years)
Balance, December 31, 2016	3,150,465	13,623,578	$0.87	8.5
Granted	(6,068,525)	6,068,525	$1.09	
Cancelled upon termination	3,581,537	(3,581,537)	$0.98	
Balance, December 31, 2017	663,477	16,110,566	$0.93	7.9
Exercisable, December 31, 2017	-	2,706,579	$0.86	7.4
Vested or expected to vest, December 31, 2017	663,477	16,110,566	$0.93	7.9

7. Stock Options (continued)

The total pre-tax intrinsic value of options exercised during the year ended December 31, 2017 was approximately $19,000. The total fair value of options vested for the year ended December 31, 2017 was approximately $864,000. The weighted average estimated fair value of options granted during the year ended December 31, 2017 was $0.53 per share.

As of December 31, 2017, the total stock-based compensation expense related to unvested options granted under the Company's stock option plans but not yet recognized was $6,202,000. Of this unrecognized expense, $2,032,000 relates to service based components which will be recognized on a straight-line basis over a weighted-average remaining term of 1.5 years. The remaining $4,170,000 in unrecognized share-based compensation expense related to performance based vesting will be recognized if and when the performance based components are achieved.

8. Employee Benefit Plans

The Company sponsors a 401(k) defined contribution plan covering eligible employees. Under the plan, employees are permitted to contribute a portion of gross compensation not to exceed standard limitations provided by the Internal Revenue Service. The Company matches 50% of employee contributions up to 6% of an employee's base pay. The matching contributions to the 401(k) plan totaled approximately $690,000 for the year ending December 31, 2017.

9. Related Party Transactions

The Company has agreements with Genstar Capital, L.P., Steven Mankoff, and Clyde Smith, all affiliates of the majority shareholder of the Company, for financial and management advisory services. During the year ending December 31, 2017, the Company paid $80,000 related to these services. In addition, the Company reimbursed the majority stockholders of the Company for travel related expenses. During the year ending December 31, 2017 the Company paid approximately $34,000 related to these expenses. The related expenses are reflected in general and administrative expense in the consolidated statement of operations and comprehensive loss.

10. Commitments and Contingencies

Facility leases

The Company leases office space and equipment under non-cancelable operating lease agreements that expire at various dates through 2018. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not paid. Rent expense for the year ending December 31, 2017 was approximately $1,361,000.

10. Commitments and Contingencies (continued)

Facility leases (continued)

As of December 31, 2017, the future annual minimum payments under non-cancellable operating lease agreements are as follows (in thousands):

Fiscal Year	
2018	$455,000
2019	273,000
2020	156,000
2021	70,000
Total	$954,000

Legal proceedings

From time to time, the Company may become a party to legal proceedings arising in the normal course of business. The Company may also be indirectly affected by administrative or court proceedings or actions in which the Company is not involved but which have general applicability.

11. Subsequent Events

The Company has evaluated subsequent events through June 29, 2018, the date the consolidated financial statements were available to be distributed.

On June 5, 2018, the Company entered into a non-cancellable operating lease agreement for office space in Westwood, MA. The lease is for 10 years and 4 months.

The future minimum payments under this non-cancellable operating lease are as follows (in thousands):

Fiscal Year	
2018	$ -
2019	600,000
2020	670,000
2021	686,000
Thereafter	5,342,000
Total	$7,298,000