UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 000-53620

NEULION, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**98-0469479**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1600 Old Country Road, Plainview, New York	**11803**
(Address of principal executive offices)	(Zip Code)

(516) 622-8300
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☐
Emerging growth company	☒		

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

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

As of October 30, 2017, there were 278,722,547 shares of the registrant's common stock, $0.01 par value, outstanding.

NEULION, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

NEULION, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(Expressed in U.S. dollars)

	September 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current		
Cash and cash equivalents	$ 53,908	$ 41,905
Accounts receivable, net of allowance of doubtful accounts of $629 and $385	14,590	14,073
Other receivables	395	791
Inventory	179	186
Assets held for sale	6,833	-
Prepaid expenses and deposits	3,288	3,657
Due from related parties	266	551
Total current assets	79,459	61,163
Property, plant and equipment, net	8,662	14,227
Intangible assets, net	19,296	24,495
Goodwill	13,229	13,229
Deferred tax assets	34,388	32,574
Other assets	4,252	2,686
Total assets	$ 159,286	$ 148,374
LIABILITIES AND EQUITY		
Current		
Accounts payable	$ 35,480	$ 11,802
Accrued liabilities	10,016	12,630
Due to related parties	40	-
Deferred revenue	13,063	14,036
Total current liabilities	58,599	38,468
Long-term deferred revenue	1,311	2,037
Deferred rent liabilities	1,488	1,265
Deferred tax liabilities	844	1,093
Other long-term liabilities	11	112
Total liabilities	62,253	42,975
Stockholders' equity		
Common stock (par value: $0.01; shares authorized: 500,000,000; shares issued and outstanding: 2017: 278,722,547 and 2016: 279,050,968)	2,786	2,791
Treasury stock	-	(621)
Additional paid-in capital	167,721	167,418
Promissory notes receivable	(189)	(189)
Accumulated deficit	(73,285)	(64,000)
Total stockholders' equity	97,033	105,399
Total liabilities and stockholders' equity	$ 159,286	$ 148,374

See accompanying notes

NEULION, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)
(in thousands, except share and per share data)
(Expressed in U.S. dollars)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue	$ 22,048	$ 23,857	$ 69,792	$ 74,261
Costs and expenses				
Cost of revenue, exclusive of depreciation and amortization shown separately below	4,385	4,322	13,333	13,108
Selling, general and administrative, including stock-based compensation	15,352	13,429	44,802	38,252
Research and development	4,552	5,212	13,787	14,851
Depreciation and amortization	2,614	2,401	7,483	6,499
Loss on assets held for sale	395	-	395	-
	27,298	25,364	79,800	72,710
Operating (loss) income	(5,250)	(1,507)	(10,008)	1,551
Other income (expense)				
Gain (loss) on foreign exchange	361	(62)	534	10
Investment income, net	9	9	26	63
	370	(53)	560	73
Net and comprehensive (loss) income before income taxes	(4,880)	(1,560)	(9,448)	1,624
Income tax (expense) benefit	(173)	(1,155)	163	(3,033)
Net and comprehensive loss	$ (5,053)	$ (2,715)	$ (9,285)	$ (1,409)
Net loss per weighted average number of shares of common stock outstanding - basic and diluted	$ (0.02)	$ (0.01)	$ (0.03)	0.00
Weighted average number of shares of common stock outstanding - basic and diluted	278,644,282	282,072,241	278,072,525	282,244,706

See accompanying notes

NEULION, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands, except share data)
(Expressed in U.S. dollars)

	Common stock		Treasury Stock		Additional	Promissory	Accumulated	Total
	Shares	**Amount**	**Shares**	**Amount**	**paid-in capital**	**notes**	**deficit**	**equity**
Balance, December 31, 2016	279,050,968	$ 2,791	(768,800)	$ (621)	$ 167,418	$ (189)	$ (64,000)	$ 105,399
Cancellation of treasury shares	(768,800)	(8)	768,800	621	(613)	-	-	-
Exercise of stock options	637,946	6	-	-	77	-	-	83
Stock-based compensation:								
Stock options	-	-	-	-	1,634	-	-	1,634
Restricted stock units	2,397,500	22	-	-	1,228	-	-	1,250
Directors' compensation	406,042	5	-	-	269	-	-	274
Repurchase and cancellation of common stock, including 551,309 shares surrendered for tax withholdings of $353	(3,001,109)	(30)	-	-	(2,292)	-	-	(2,322)
Net loss	-	-	-	-	-	-	(9,285)	(9,285)
Balance, September 30, 2017	278,722,547	$ 2,786	-	$ -	$ 167,721	$ (189)	$ (73,285)	$ 97,033

See accompanying notes

NEULION, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)
(Expressed in U.S. dollars)

	Nine months ended September 30, 2017	2016
OPERATING ACTIVITIES		
Net loss	$ (9,285)	$ (1,409)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,483	6,499
Loss on assets held for sale	395	
Stock-based compensation	3,158	3,489
Provision for bad debt	430	13
Deferred income taxes	(2,063)	(112)
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(947)	667
Other receivables	396	(275)
Inventory	7	2
Prepaid expenses, deposits and other assets	(1,197)	(1,997)
Due to/from related parties	325	(92)
Accounts payable	23,678	18,514
Accrued liabilities	(1,993)	2,321
Deferred revenue	(1,699)	2,971
Deferred rent liability	223	(284)
Long-term liabilities	(101)	(13)
Cash provided by operating activities	18,810	30,294
INVESTING ACTIVITIES		
Acquisition of Saffron Digital Limited	-	(9,000)
Purchase of property, plant and equipment	(3,947)	(2,147)
Cash used in investing activities	(3,947)	(11,147)
FINANCING ACTIVITIES		
Repurchases of common stock	(2,943)	(3,450)
Proceeds from exercise of stock options	83	449
Cash used in financing activities	(2,860)	(3,001)
Net increase in cash and cash equivalents, during the period	12,003	16,146
Cash and cash equivalents, beginning of period	41,905	53,413
Cash and cash equivalents, end of period	$ 53,908	$ 69,559
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 1,719	$ 2,826

See accompanying notes

NEULION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. dollars, unless otherwise noted)
(in thousands, except share and per share data)
Information as at September 30, 2017 (unaudited) and for the three and nine months ended
September 30, 2017 and 2016 (unaudited)

1. Nature of Operations

NeuLion, Inc. ("NeuLion" or the "Company") is a leading provider of enterprise digital video solutions with the mission to deliver and enable the highest quality live and on-demand digital video content experiences anywhere and on any device. Our flagship solution, the NeuLion Digital Platform, is a proprietary, cloud-based, fully integrated, turnkey solution that enables the delivery and monetization of digital video content. Through the Company's comprehensive solution suite, including the NeuLion Digital Platform, as well as the NeuLion consumer electronics ("CE") and the MainConcept technologies, NeuLion empowers the entire video ecosystem.

The Company is headquartered in Plainview, New York and was domesticated under Delaware law on November 30, 2010. The Company's common stock is listed on the Toronto Stock Exchange ("TSX") under the symbol NLN.

2. Basis of Presentation and Significant Accounting Policies

The Company's accounting policies are consistent with those presented in its annual consolidated financial statements as at December 31, 2016. These interim unaudited condensed consolidated financial statements do not include all footnote disclosures required by U.S. generally accepted accounting principles ("U.S. GAAP") for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2016, as they appear in the Company's Annual Report on Form 10-K.

These financial statements are prepared in conformity with U.S. GAAP, which requires management to make certain estimates that affect the reported amounts in the interim unaudited condensed consolidated financial statements, and the disclosures made in the accompanying notes. Despite the Company's intention to establish accurate estimates and use reasonable assumptions, actual results may differ from these estimates. All significant intercompany transactions and accounts have been eliminated in consolidation.

In the opinion of management, these interim unaudited condensed consolidated financial statements contain all of the adjustments of a normal and recurring nature necessary to present fairly the Company's financial position as at September 30, 2017 and December 31, 2016 and the results of operations and cash flows for the three and nine months ended September 30, 2017 and 2016. The results of operations for the three and nine months ended September 30, 2017 are not necessarily indicative of the results to be expected for the entire year.

The accompanying interim unaudited condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the interim unaudited condensed consolidated financial statements. As of September 30, 2017, the Company's significant accounting policies and estimates remain unchanged from those detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, except as follows:

Assets Held for Sale

In a period where the plan of sale criteria of Accounting Standards Codification 360 "Impairment or Disposal of Long-lived Assets" are met, long-lived assets are reported as held for sale, depreciation and amortization cease, and the assets are reported at the lower of carrying value or fair value less costs to sell. Subsequent changes in measurement are reflected in results from operations, however, gains are not recognized in excess of the cumulative loss previously recognized.

New accounting standards

Recently Adopted

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. This ASU defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis and is effective for periods beginning after December 15, 2016, with early adoption permitted. The Company adopted the accounting guidance as of January 1, 2017, which did not have a material impact on the Company's condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09 - Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based payment transactions. Under this amended guidance, all excess tax benefits and tax deficiencies will be recognized as income tax expense or benefit in the income statement in the period in which the awards vest or are exercised. In the statement of cash flows, excess tax benefits will be classified with other income tax cash flows in operating activities. The amended guidance also gives the option to make a policy election to account for forfeitures as they occur and increases the threshold for awards that are partially settled in cash to qualify for equity classification. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company adopted the accounting guidance as of January 1, 2017. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements. The Company had historically estimated the number of forfeitures as part of its option valuation process and will continue to do so under the new guidance. No aspect of the guidance that requires retrospective adoption impacted the Company.

Not Yet Adopted

In May 2014, the FASB issued guidance on revenue recognition, which provides a single, comprehensive revenue recognition model for all contracts with customers and superseded most existing revenue recognition guidance. The main principle under this guidance is that an entity should recognize revenue at the amount it expects to be entitled to in exchange for the transfer of goods or services to customers. The Company has identified the predominant changes to its accounting policies resulting from the application of this guidance and is in the process of quantifying the impact on its consolidated financial statements. The cumulative effect of the initial adoption will be reflected as an adjustment to the opening balance of retained earnings as of the date of the application of the guidance. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted for interim and annual reporting periods beginning after December 15, 2016.

In February 2016, the FASB issued ASU 2016-02 – Leases (Topic 842), which superseded previous lease guidance. Under this guidance, for all leases with terms in excess of one year, including operating leases, the Company will be required to recognize on its balance sheet a lease liability and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance retains a distinction between finance leases and operating leases and the classification criteria is substantially similar to previous guidance. Additionally, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed. The Company is currently evaluating the impact of this guidance on its consolidated balance sheets. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted.

In June 2016, the FASB issued ASU 2016-13 – Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which (i) significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model; and (ii) provides for recording credit losses on available-for-sale (AFS) debt securities through an allowance account. The update also requires certain incremental disclosures. These amendments are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the effect this ASU will have on its consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU 2017-04 – Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment. This guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Under the amended guidance, a goodwill impairment charge will now be recognized for the amount by which the carrying value of a reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill. This guidance is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted for any impairment tests performed after January 1, 2017. The Company is currently evaluating the effect this ASU will have on its consolidated financial statements and disclosures.

3. Business Combination

On June 3, 2016, the Company completed the acquisition of Saffron Digital Limited ("Saffron Digital"), operating in the United Kingdom, in an all-cash asset transaction for total consideration of $9,000, of which $7,500 was paid on closing and $1,500 was paid in September 2016.

The Saffron Digital solution, which has been integrated into the NeuLion Digital Platform, helps customers build digital video services for entertainment delivered over-the-top to Internet-connected devices. These digital video services support advanced implementations of subscription video on demand, electronic sell-through and advertising-supported video.

(Expressed in U.S. dollars, unless otherwise noted)
(in thousands, except share and per share data)

The acquisition was accounted for using the purchase method of accounting in accordance with Accounting Standards Codification 805 — Business Combinations. Accordingly, the results of operations of Saffron Digital have been included in the accompanying consolidated financial statements since the date of the acquisition. The purchase price has been allocated to the tangible and intangible assets acquired and liabilities assumed based upon the respective estimates of fair value as of the date of the acquisition and are based on 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.

In connection with this transaction, the Company incurred no acquisition-related expenses during the three and nine months ended September 30, 2017 (acquisition-related expenses during each of the three and nine months ended September 30, 2016 was $102).

The total purchase price for Saffron Digital has been allocated as follows:

Prepaid expenses and deposits	$	53
Property, plant and equipment		14
Intangible assets		7,200
Goodwill		1,733
Net assets acquired	$	9,000

The following are the identifiable intangible assets acquired and their respective useful lives as of the acquisition date, as determined based on valuations:

		Amount	Useful Life (years)
Developed technology	$	3,900	5
Customer relationships		3,300	5
	$	7,200	

The 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.

4. Economic Dependence and Concentration of Credit Risk

For the three and nine months ended September 30, 2017, no one customer represented more than 10% of revenue. For the three months ended September 30, 2016, the Ultimate Fighting Championship ("UFC") accounted for 11% of revenue. For the nine months ended September 30, 2016, the National Hockey League accounted for 10% of revenue.

As at September 30, 2017, Samsung Companies accounted for 14% of accounts receivable. As at December 31, 2016, Samsung Companies and World Surf League accounted for 28% of accounts receivable: 15% and 13%, respectively.

As at September 30, 2017, NBA Media Ventures ("NBA"), the UFC, the National Football League and Sky UK accounted for 79% of accounts payable: 32%, 20%, 14% and 13%, respectively. As at December 31, 2016, the UFC and the NBA accounted for 50% of accounts payable: 37% and 13%, respectively.

The Company maintains cash and cash equivalents with various major financial institutions which at times are in excess of the amount insured by the FDIC. As of September 30, 2017, approximately 41% and 59% of the Company's cash and cash equivalents were held in accounts with US and foreign banks, respectively.

NEULION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands, except share and per share data)
Information as at September 30, 2017 (unaudited) and for the three and nine months ended
September 30, 2017 and 2016 (unaudited)

5. Related Party Transactions

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

KyLin TV

KyLin TV is an IPTV company that is controlled by Charles B. Wang, a member of the Board of Directors and the husband of the Executive Chair of the Company. On June 1, 2008, the Company entered into an agreement with KyLin TV to build and deliver the setup and back office operations for KyLin TV's IPTV service. Effective April 1, 2012, the Company amended its agreement with KyLin TV, such that, in addition to the services previously provided, KyLin TV was appointed the exclusive distributor of the Company's business to consumer ("B2C") IPTV interests. As exclusive distributor, KyLin TV obtains, advertises and markets all of the Company's B2C content in accordance with the terms of the amendment. Accordingly, KyLin TV records the gross revenues from the Company's B2C content as well as the associated license fees, whereas the Company records revenues in accordance with the revised fee schedule in the amendment. The Company also provides, and charges KyLin TV for, administrative and general corporate support. The amounts charged for the administrative and general corporate support services provided by the Company for the three and nine months ended September 30, 2017 were $19 and $75, respectively (three and nine months ended September 30, 2016 were $24 and $73, respectively), and were recorded as a recovery in selling, general and administrative expense.

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

The Company provides IT-related professional services and administrative services to the New York Islanders, a professional hockey club of which Mr. Wang is a minority owner.

Renaissance Property Associates, LLC ("Renaissance")

The Company provides IT-related professional services to Renaissance, a real estate management company owned by Mr. Wang. In June 2009, the Company signed a sublease agreement with Renaissance for office space in Plainview, New York. The sublease agreement expires in December 2019. Rent expense paid by the Company to Renaissance for the three and nine months ended September 30, 2017 of $168 and $507, respectively (three and nine months ended September 30, 2016 of $170 and $395, respectively), inclusive of taxes and utilities, is included in selling, general and administrative expense. Additionally, the Company engaged Renaissance to provide real estate consulting services. The expense related to these services was $18 and $82 for the three and nine months ended September 30, 2017, respectively (expense during each of the three and nine months ended September 30, 2016 was zero).

Smile Train, Inc. ("Smile Train")

The Company provides IT-related professional services to Smile Train, a public charity whose founder and significant benefactor is Mr. Wang.

The Company recognized revenue from related parties as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
New York Islanders	$ 70	$ 69	$ 208	$ 209
KyLin TV	61	90	233	274
Renaissance	30	30	90	90
Smile Train	24	24	72	72
	$ 185	$ 213	$ 603	$ 645

NEULION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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September 30, 2017 and 2016 (unaudited)

The amounts due from (to) related parties are as follows:

	As of September 30, 2017	As of December 31, 2016
KyLin TV	$ 172	$ 422
New York Islanders	70	103
Smile Train	24	-
Renaissance	(40)	26
	$ 226	$ 551

6. Loss Per Share

Basic loss per share is computed by dividing net loss for the period by the weighted average number of shares of common stock outstanding for the period. Diluted loss per share is computed by dividing net loss for the period by the weighted average number of shares of common stock outstanding adjusted for the dilutive effect of restricted stock units, stock options and warrants utilizing the treasury stock method.

A reconciliation of the number of shares used to calculate basic and diluted net loss per share follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Weighted average shares of common stock outstanding used in calculating basic EPS	278,644,282	282,072,241	278,072,525	282,244,706
Effect of dilutive preferred stock, restricted stock units, stock options and warrants	-	-	-	-
Weighted average shares of common stock outstanding used in calculating diluted EPS	278,644,282	282,072,241	278,072,525	282,244,706

The following table summarizes the potential common stock equivalents for the three and nine months ended September 30, 2017 and 2016 that were not included in the computation of diluted loss per share, because to do so would have been antidilutive.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Options – 2012 Omnibus Securities and Incentive Plan	21,786,825	23,779,350	21,786,825	23,779,350
Restricted Stock Units – 2012 Omnibus Securities and Incentive Plan	5,373,750	8,102,500	5,373,750	8,102,500
Options – Fourth Amended and Restated Stock Option Plan	1,293,750	2,058,750	1,293,750	2,058,750
Warrants	1,924,741	1,924,741	1,924,741	1,924,741
	30,379,066	35,865,341	30,379,066	35,865,341

7. Geographic Information

The Company's assets and operations are located primarily in the United States. The Company operates in one segment. The Company's chief operating decision-maker reviews financial information presented on a consolidated basis, accompanied by disaggregated information about revenue by geographic region. There are no segment managers who are held accountable by the chief operating decision maker for operations, operating results, and planning for levels or components below the consolidated unit level. The Company has therefore determined that it has a single operating segment. Total revenue from customers, based on the location of the customers, was as follows:

NEULION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. dollars, unless otherwise noted)
(in thousands, except share and per share data)
Information as at September 30, 2017 (unaudited) and for the three and nine months ended
September 30, 2017 and 2016 (unaudited)

	Three months ended September 30, 2017		2016		Nine months ended September 30, 2017		2016	
North America	$ 12,444	57%	$ 15,807	66%	$ 42,048	60%	$ 49,056	66%
Asia	5,347	24%	5,104	21%	16,124	23%	16,317	22%
Europe	3,852	17%	2,543	11%	10,488	15%	6,791	9%
Australia	405	2%	403	2%	1,132	2%	2,097	3%
	$ 22,048	100%	$ 23,857	100%	$ 69,792	100%	$ 74,261	100%

Total property and equipment, categorized by the location of the assets, was as follows:

	September 30, 2017 Cost	Accumulated Depreciation	Net book Value
North America	$ 24,329	$ 19,618	$ 4,711
Asia	1,230	938	292
Europe	4,527	868	3,659
	$ 30,086	$ 21,424	$ 8,662

	December 31, 2016 Cost	Accumulated Depreciation	Net book Value
North America	$ 29,458	$ 16,617	$ 12,841
Asia	1,318	939	379
Europe	2,719	1,712	1,007
	$ 33,495	$ 19,268	$ 14,227

8. Income Taxes

The tax provision (benefit) for the three and nine months ended September 30, 2017 was $173 and $(163), respectively, compared to $1,155 and $3,033 for the three and nine months ended September 30, 2016. Each quarter the Company updates its estimate of the annual effective tax rate and records adjustments as necessary. In the current quarter it was determined that a small change in the Company's estimated income could produce a significant change in the annual effective rate given the worldwide projections and permanent differences. Consequently, the actual effective rate through the quarter is the best estimate of the annual effective rate. The annual provision for income taxes is primarily comprised of current and deferred tax expense in the U.S. and in profitable cost-plus foreign jurisdictions, and foreign withholding taxes. The difference between the annual tax provision and the expected statutory rate is primarily due to losses in foreign jurisdictions without tax benefit and non-deductible tax expenses.

As of September 30, 2017, the Company continues to maintain a valuation allowance to offset certain foreign and state deferred income tax assets, as realization of such assets does not meet the more-likely-than-not threshold.

The Company does not believe there are any material uncertain tax positions under Accounting Standards Codification 740, "Income Taxes".

9. Share Repurchase Program

On April 1, 2016, the Company commenced a share repurchase program for up to 14,109,057 shares of its common stock. During 2016, the Company purchased 768,800 shares at a total cost of $621. During 2017, the Company repurchased 2,449,800 shares at a total cost of $1,952. All the repurchased shares were cancelled and the share repurchase program expired per its terms on March 31, 2017.

NEULION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. dollars, unless otherwise noted)
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Information as at September 30, 2017 (unaudited) and for the three and nine months ended
September 30, 2017 and 2016 (unaudited)

10. Assets Held for Sale

The net book value of the assets held for sale consisted of the following:

	As of September 30, 2017	As of December 31, 2016
Land	$ 2,509	$ -
Building	4,324	-
	$ 6,833	$ -

As of June 30, 2017, the Company reclassified its office building located in Melville, New York (the "property") to assets held for sale since it is probable that it will be sold within one year. The Company considered converting the property into its corporate headquarters, however now believes there are other advantageous opportunities with greater long-term benefits. On October 18, 2017, the Company entered into a contract to sell the property, subject to due diligence, for $7,300. Taking into consideration the contracted sales price, less the expected selling costs, at September 30, 2017 the Company estimated that the fair value of the property was $6,833. Since the net book value of the assets held for sale was $7,228, an impairment loss of $395 was recognized for the three and nine months ended September 30, 2017.

11. Contingencies

On the night of August 26, 2017, the Company experienced a problem during its streaming of the Mayweather vs. McGregor pay per view boxing event that affected a significant number of UFC.TV users. The Company does not believe the issue was systemic or fundamental to the NeuLion Digital Platform or the Company's underlying technology. The Company has been working in collaboration with the UFC to process refunds for purchasers who were unable to view the fight.

On September 1, 2017, the Company was named along with several other parties in a class action lawsuit in the United States District Court for the District of Nevada that claims to have been filed on behalf of the affected purchasers. The Company has subsequently been named, along with other parties, in two other similar class action lawsuits in the United States District Court for the District of Nevada (filed September 14, 2017) and the United States District Court for the Southern District of New York (filed September 13, 2017). A motion to consolidate these three class action lawsuits along with several other class action lawsuits filed against unrelated streaming providers of the same pay per view event is pending in the United States District Court for the Southern District of New York. While the Company disagrees with many of the allegations set forth in the class action lawsuits and intends to vigorously defend itself (including but not limited to defenses based upon the lack of any contractual relationship between the Company and the affected purchasers), the Company believes that the refund program will render the lawsuits moot.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of the Company should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2017 and 2016, which have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). All dollar amounts are in U.S. dollars ("US$" or "$") unless stated otherwise. As at October 30, 2017, the Bank of Canada daily exchange rate for conversion of United States dollars to Canadian dollars ("CDN$") was US$1 to CDN$1.2837.

Our MD&A is intended to enable readers to gain an understanding of our current operating results and financial position. To do so, we provide information and analysis comparing the results of operations and financial position for the current period to those of the preceding comparable period. We also provide analysis and commentary that we believe is required to assess our future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 ("Annual Report"), and below in the section titled "Cautions Regarding Forward-Looking Statements" and that could have a material impact on future prospects. Readers are cautioned that actual results could vary from those forecasted in this MD&A.

Cautions Regarding Forward-Looking Statements

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

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

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

Overview

We are a leading provider of enterprise digital video solutions with the mission to deliver and enable the highest quality live and on-demand digital video content experiences anywhere and on any device. Our flagship solution, the NeuLion Digital Platform, is a proprietary, cloud-based, fully integrated, turnkey solution that enables the delivery and monetization of digital video content.

Enterprises throughout the entire digital video ecosystem use our solutions to better grow, engage and monetize their customer bases. The NeuLion Digital Platform offers content owners and rightsholders a highly configurable and scalable suite of digital technologies, together with services for back-end content preparation, management, secure delivery and monetization, in an end-to-end solution that addresses the complexities associated with successfully streaming and marketing their content. Our solutions also include our NeuLion consumer electronics ("CE") technologies, which allow CE manufacturers to provide a secure, high quality video experience with premium screen resolution, up to Ultra HD/4K, across virtually all content formats, for a wide range of connected devices. Additionally, NeuLion offers a library of high quality video compression-decompression programs, or codecs, that we license under the MainConcept brand. Our codecs are used by leading technology companies to encode and decode audio and video files. All three solutions comprise the entire digital video ecosystem.

We primarily generate revenue by offering the NeuLion Digital Platform on a subscription license basis. Our revenue is generated from fees determined by the number of events and linear channels we stream, the number of connected devices we enable, and variable fees determined by the volume of digital video content we deliver and/or the end user revenue generated by our customers. We also generate revenue from licensing our NeuLion technologies, including our CE software development kit, or SDK, to CE manufacturers and our MainConcept technologies to video solution developers and others.

We believe that the proliferation of Internet-connected devices, the increasing amount of digital video content, the growth in video consumption, particularly sports and entertainment content, on mobile and other connected devices and the demand for continually improving and personalizing viewing experiences will be the principal drivers of our growth. As enterprises continue to struggle with the complexities of managing growing libraries of digital content, creating compelling branded user experiences and delivering those experiences across a wide range of connected devices in high-quality resolutions, our comprehensive suite of products and focus on innovation will allow us to increase revenues from existing customers and expand our customer base in the Americas, Europe and beyond.

In June 2016, the Company acquired the assets of Saffron Digital Limited ("Saffron Digital"). The Saffron Digital solution, which has been integrated into the NeuLion Digital Platform, helps customers build digital video services for entertainment delivered over-the-top to Internet-connected devices. These digital video services support advanced implementations of subscription video on demand, electronic sell-through and advertising-supported video.

We have traded on the Toronto Stock Exchange ("TSX") since August 9, 2006.

Key Performance Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% change	2017	2016	% change
Revenue - NeuLion Digital Platform (amounts in millions)	$ 14.5	$ 16.3	-11%	$ 46.7	$ 50.4	-7%

We monitor our revenue from our NeuLion Digital Platform because we expect it to grow faster than revenue from our other solutions as we add new customers and increase the variable revenue we realize from existing customers. As a result, we expect our platform revenue to grow in absolute dollars and as a percentage of revenue. Our platform revenue decreased 11% for the three months ended September 30, 2017 and decreased 7% for the nine months ended September 30, 2017, compared to the prior comparable periods. NeuLion Digital Platform revenue is seasonal, related to the timing and size of events that our customers deliver through our solution. The fourth quarter has historically been our highest revenue quarter, but this seasonality may change as we add new customers and events.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Cost of Revenue as a % of Revenue	20%	18%	19%	18%

Cost of revenue consists principally of bandwidth costs paid in connection with our delivery of digital video content, and to a lesser extent, license fees paid to certain customers for whom we recognize revenue on a gross basis. We use cost of revenue as a percentage of revenue, together with Adjusted EBITDA, to measure the operating performance of our business. Historically, we have been able to reduce our cost of revenue as a percentage of revenue as we have increased the digital video content we deliver on the NeuLion Digital Platform and increased revenue contribution from our CE and MainConcept solutions. Our cost per unit of bandwidth decreases as we deliver more digital video content. Our cost of revenue as a percentage of revenue going forward will also be affected by our revenue mix.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	% change	2017	2016	% change
Adjusted EBITDA (amounts in millions)	$ (1.1)	$ 2.3	-148%	$ 1.1	$ 12.7	-91%

We monitor Adjusted EBITDA, together with cost of revenue as a percentage of revenue, to measure the operating performance of our business. We expect Adjusted EBITDA to improve over time as we grow our revenue and improve our operating performance, but Adjusted EBITDA as a percentage of revenue will vary based on the timing of revenue and expenses. Refer to Reconciliation of Net Loss to Adjusted EBITDA, below, for full details.

Reconciliation of Net Loss to Adjusted EBITDA (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net Loss	$ (5,053)	$ (2,715)	$ (9,285)	$ (1,409)
Revenue excluded due to purchase accounting	-	68	31	1,015
Depreciation and amortization	2,614	2,401	7,483	6,499
Stock-based compensation	1,162	1,361	3,158	3,489
Loss on assets held for sale	395	-	395	-
Acquisition-related expenses	-	-	-	102
Income tax expense (benefit)	173	1,155	(163)	3,033
Other (income) expense	(370)	53	(560)	(73)
Adjusted EBITDA	$ (1,079)	$ 2,323	$ 1,059	$ 12,656

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

COMPONENTS OF OPERATING RESULTS

We operate in one segment. Our chief operating decision-maker reviews our operating results on an aggregate basis and manages our operations as a single operating segment.

Revenue

We generate revenue by offering the NeuLion Digital Platform on a subscription license basis. Our revenue from the NeuLion Digital Platform is generated from fees determined by the number of channels through which we deliver our customers' content, the number of events we stream and the number of connected devices we enable, as well as from variable fees determined by the volume of digital video content we deliver and the end user revenue generated by our customers. In addition, we generate revenue from the NeuLion CE technologies through software license agreements with CE manufacturers, video solution developers and others.

Our contracts with customers are typically between two and five years long. Our contracts are generally on an exclusive basis. We recognize recurring fees in the period in which services are provided and when collection of fees is reasonably assured and the amount of fees is fixed or determinable.

Our platform revenue is seasonal and is based significantly on the timing and size of events that our customers deliver through our solution. The fourth quarter has historically been our highest revenue quarter, but this seasonality may change as we add new customers and events.

Cost and Expenses

Cost of revenue

Cost of revenue consists principally of bandwidth costs paid in connection with our distribution of digital video content and, to a lesser extent, license fees paid to certain customers for whom we recognize revenue on a gross basis. Cost of revenue excludes amortization and depreciation and labor costs.

We expect cost of revenue to increase in absolute dollars as revenue increases; however, we expect cost of revenue as a percentage of revenue to decrease in the foreseeable future.

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

Selling, general and administrative expenses, including stock-based compensation, or SG&A expenses, include wages and benefits, stock-based compensation, acquisition-related expenses, professional fees, marketing costs, travel expenses, rent, office supplies, corporate IT services, credit card processing fees and other general operating expenses. Historically, approximately 65% of SG&A has consisted of wages and benefits for our employees.

We expect SG&A expenses to increase in absolute dollars as we add personnel, increase our spending on sales and marketing and grow our business; however, we expect SG&A expenses to decline as a percentage of revenue over time.

Research and development

Historically, approximately 90% of our research and development expenses have consisted of wages and benefits for research and development personnel.

We expect research and development expenses to increase in absolute dollars as we continue to add personnel to enhance and grow our solutions; however, we expect research and development expenses to decline as a percentage of revenue over time.

Key Trends and Factors That May Impact Our Performance

We believe that there are many factors that will continue to affect our ability to sustain and increase both revenue and profitability and impact the nature and amount of our expenditures, including:

Market acceptance of our services. We compete in markets where the value of certain aspects of our services is still in the process of market acceptance. We believe that our future growth depends in part on the continued and increasing acceptance and realization of the value of our service offerings.

Technological change. Our success depends in part on our ability to keep pace with technological changes and evolving industry standards in our service offerings and to successfully develop, launch, and drive demand for new and enhanced, innovative, high-quality solutions that meet or exceed customer needs.

Technology spending. Our growth and results depend in part on general economic conditions and the pace and level of technology spending by potential customers to take their content digital.

In June 2016, we completed the acquisition of Saffron Digital. The integration of this acquisition has impacted and will continue to impact revenues, expenses and operating results.

RESULTS OF OPERATIONS

Comparison of Three Months Ended September 30, 2017 to Three Months Ended September 30, 2016 (unaudited)

Our condensed consolidated financial statements for the three months ended September 30, 2017 and 2016 have been prepared in accordance with U.S. GAAP. A comparison of our results of operations for those periods is as follows (amounts in thousands):

	Three months ended September 30,	
	2017	**2016**
Revenue	$ 22,048	$ 23,857
Costs and expenses		
Cost of revenue, exclusive of depreciation and amortization shown separately below	4,385	4,322
Selling, general and administrative, including stock-based compensation	15,352	13,429
Research and development	4,552	5,212
Depreciation and amortization	2,614	2,401
Loss on assets held for sale	395	-
	27,298	25,364
Operating loss	(5,250)	(1,507)
Other income (expense)	370	(53)
Net and comprehensive loss before income taxes	(4,880)	(1,560)
Income tax expense	(173)	(1,155)
Net and comprehensive loss	$ (5,053)	$ (2,715)

Revenue

Revenue decreased to $22.0 million for the three months ended September 30, 2017 from $23.9 million for the three months ended September 30, 2016. The $1.9 million decrease was primarily the result of the loss of the National Hockey League ("NHL") related revenues in the amount of $1.3 million.

Cost of Revenue

Cost of revenue increased to $4.4 million for the three months ended September 30, 2017 from $4.3 million for the three months ended September 30, 2016. Cost of revenue as a percentage of revenue increased from 18% for the three months ended September 30, 2016 to 20% for the three months ended September 30, 2017. The increase in cost of revenue as a percentage of revenue is due to the higher bandwidth costs incurred to service our European customers, who represent a larger percentage of overall revenue for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016.

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

Selling, general and administrative expenses, including stock-based compensation, increased by $2.0 million, or 15%, from $13.4 million for the three months ended September 30, 2016, to $15.4 million for the three months ended September 30, 2017. The individual variances are as follows:

Wages and benefits increased from $8.2 million for the three months ended September 30, 2016 to $9.0 million for the three months ended September 30, 2017. The $0.8 million increase was primarily due to an increase in employees as a result of an increase in headcount in our sales team.

Stock-based compensation decreased from $1.4 million for the three months ended September 30, 2016 to $1.2 million for the three months ended September 30, 2017. The $0.2 million decrease was primarily the result of certain grants of stock-based compensation being fully vested and recognized prior to September 30, 2017.

Office facilities expenses increased from $0.8 million for the three months ended September 30, 2016 to $1.2 million for the three months ended September 30, 2017. The $0.4 million increase was primarily the result of facility costs associated with the opening of our new European headquarters in London.

Bad debt expense increased from zero for the three months ended September 30, 2016 to $0.2 million for the three months ended September 30, 2017. The $0.2 million increase was primarily the result of reserves recorded for a specific customer.

Other SG&A expenses, including travel expenses, office supplies, marketing, professional, corporate IT services, credit card processing fees and other general operating expenses, increased from $3.0 million for the three months ended September 30, 2016 to $3.8 million for the three months ended September 30, 2017. The increase in Other SG&A expenses primarily relates to the expansion of our sales force and the opening of our new European headquarters in London.

Research and development

Research and development costs decreased from $5.2 million for the three months ended September 30, 2016 to $4.6 million for the three months ended September 30, 2017. The $0.6 million decrease was primarily a result of a reduction in headcount due to certain redundancies identified by the Company.

Depreciation and amortization

Depreciation and amortization increased from $2.4 million for the three months ended September 30, 2016 to $2.6 million for the three months ended September 30, 2017. The $0.2 million increase was primarily the result of depreciation of fixed assets related to our new European headquarters in London.

Income taxes

The tax provision for the three month period ended September 30, 2017 was $0.2 million, compared to $1.2 million for the three month period ended September 30, 2016. The annual provision for income taxes during 2017 and 2016 is primarily comprised of current and deferred tax expense in the U.S. and in profitable cost-plus foreign jurisdictions, and foreign withholding taxes. The difference between the annual tax provision and the expected statutory rate is primarily due to losses in foreign jurisdictions without tax benefit and permanent differences.

The Company does not believe there are any material uncertain tax positions under ASC 740.

Comparison of Nine Months Ended September 30, 2017 to Nine Months Ended September 30, 2016 (unaudited)

Our condensed consolidated financial statements for the nine months ended September 30, 2017 and 2016 have been prepared in accordance with U.S. GAAP. A comparison of our results of operations for those periods is as follows (amounts in thousands):

	Nine months ended September 30, 2017	2016
Revenue	$ 69,792	$ 74,261
Costs and expenses		
Cost of revenue, exclusive of depreciation and amortization shown separately below	13,333	13,108
Selling, general and administrative, including stock-based compensation	44,802	38,252
Research and development	13,787	14,851
Depreciation and amortization	7,483	6,499
Loss on assets held for sale	395	-
	79,800	72,710
Operating loss (income)	(10,008)	1,551
Other income	560	73
Net and comprehensive loss (income) before income taxes	(9,448)	1,624
Income tax benefit (expense)	163	(3,033)
Net and comprehensive loss	$ (9,285)	$ (1,409)

Revenue

Revenue decreased to $69.8 million for the nine months ended September 30, 2017 from $74.3 million for the nine months ended September 30, 2016. The $4.5 million decrease consisted of a $3.7 million decrease in our NeuLion Digital Platform revenue and a $0.8 million decrease in our CE revenue stream. The $3.7 million decrease in our NeuLion Digital Platform revenue was the result of a decrease in NHL related revenues in the amount of $7.0 million, partially offset by organic growth.

Cost of Revenue

Cost of revenue increased to $13.3 million for the nine months ended September 30, 2017 from $13.1 million for the nine months ended September 30, 2016. Cost of revenue as a percentage of revenue increased from 18% for the nine months ended September 30, 2016 to 19% for the nine months ended September 30, 2017. The increase in cost of revenue as a percentage of revenue is due to the higher bandwidth costs incurred to service our European customers, who represent a larger percentage of overall revenue for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016.

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

Selling, general and administrative expenses, including stock-based compensation, increased by $6.5 million, or 17%, from $38.3 million for the nine months ended September 30, 2016, to $44.8 million for the nine months ended September 30, 2017. The individual variances are as follows:

Wages and benefits increased from $24.6 million for the nine months ended September 30, 2016 to $26.1 million for the nine months ended September 30, 2017. The $1.5 million increase was primarily the result of an increase in employees due to the acquisition of Saffron Digital and an increase in headcount in our sales team.

Stock-based compensation decreased from $3.5 million for the nine months ended September 30, 2016 to $3.2 million for the nine months ended September 30, 2017. The $0.3 million decrease was primarily the result of certain grants of stock-based compensation being fully vested and recognized prior to September 30, 2017.

Professional fees increased from $2.9 million for the nine months ended September 30, 2016 to $3.6 million for the nine months ended September 30, 2017. The $0.8 million increase was primarily the result of increased legal fees, higher recruitment fees associated with the increased salesforce and increased consulting expenses associated with certain professional compliance requirements.

Travel expenses increased from $1.2 million for the nine months ended September 30, 2016 to $1.6 million for the nine months ended September 30, 2017. The $0.4 million increase was primarily the result of expenses associated with the increase in headcount in our sales team.

Office facilities expenses increased from $1.9 million for the nine months ended September 30, 2016 to $2.8 million for the nine months ended September 30, 2017. The $0.9 million increase was primarily the result of facility costs associated with the acquisition of Saffron Digital and the opening of our new European headquarters in London.

Bad debt expense increased from zero for the nine months ended September 30, 2016 to $0.4 million for the nine months ended September 30, 2017. The $0.4 million increase was primarily the result of reserves recorded for a specific customer.

Other SG&A expenses, including office supplies, marketing, corporate IT services, credit card processing fees and other general operating expenses, increased from $4.2 million for the nine months ended September 30, 2016 to $7.1 million for the nine months ended September 30, 2017. The increase in Other SG&A expenses primarily relates to the acquisition of Saffron Digital, expansion of sales team and the opening of our new European headquarters in London.

Research and development

Research and development costs decreased from $14.9 million for the nine months ended September 30, 2016 to $13.8 million for the nine months ended September 30, 2017. The $1.1 million decrease was primarily a result of a reduction in headcount due to certain redundancies identified by the Company.

Depreciation and amortization

Depreciation and amortization increased from $6.5 million for the nine months ended September 30, 2016 to $7.5 million for the nine months ended September 30, 2017. The $1.0 million increase was primarily the result of amortization of intangibles associated with the acquisition of Saffron Digital and depreciation of fixed assets related to our new European headquarters in London.

Income taxes

The tax (benefit) provision for the nine month period ended September 30, 2017 was $(0.2) million, compared to $3.0 million for the nine month period ended September 30, 2016. The annual provision for income taxes during 2017 and 2016 is primarily comprised of current and deferred tax expense in the U.S. and in profitable cost-plus foreign jurisdictions, and foreign withholding taxes. The difference between the annual tax provision and the expected statutory rate is primarily due to losses in foreign jurisdictions without tax benefit and permanent differences.

LIQUIDITY AND CAPITAL RESOURCES

Our cash position was $53.9 million at September 30, 2017. During the nine months ended September 30, 2017, cash provided by operating activities was $18.8 million, which included cash of $18.7 million from changes in operating assets and liabilities. Cash used in investing activities included $3.9 million to purchase fixed assets, which was primarily related to the buildout of our European headquarters in London. Cash used in financing activities included $2.9 million used for repurchases of our common stock.

As of September 30, 2017, our principal sources of liquidity included cash and cash equivalents of $53.9 million and net trade accounts receivable of $14.6 million, offset by $35.5 million in accounts payable and $10.0 million in accrued liabilities. We continue to closely monitor our cash balances to ensure that we have sufficient cash on hand to meet our operating needs. Management believes that we have sufficient liquidity to meet our working capital and capital expenditure requirements for at least the next 12 months.

In June 2017, the Company listed for sale its office building located in Melville, New York (the "property"). On October 18, 2017, the Company entered into a contract to sell the property, subject to due diligence, for $7,300. Taking into consideration the contracted sales price, less the expected selling costs, the Company estimated that the fair value of the property was $6,833 as of September 30, 2017. Since the net book value of the assets held for sale was $7,228, an impairment loss of $395 was recognized for the three and nine months ended September 30, 2017.

The Company maintains cash and cash equivalents with various major financial institutions which at times are in excess of the amount insured by the FDIC. As of September 30, 2017, approximately 41% and 59% of the Company's cash and cash equivalents were held in accounts with US and foreign banks, respectively.

Off Balance Sheet Arrangements

We did not have any off balance sheet arrangements as of September 30, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risk disclosures set forth in our Annual Report on Form 10-K for the year ended December 31, 2016 (“Form 10-K”) have not changed materially. For a discussion of our exposure to market risk, refer to the disclosure set forth in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of the Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Our Chief Executive Officer, being our principal executive officer, and Chief Financial Officer, being our principal financial officer, with the assistance of other members of our management, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter ended September 30, 2017 (the “Evaluation”). Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) were effective as of September 30, 2017.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2017, no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) has been identified that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On the night of August 26, 2017, the Company experienced a problem during its streaming of the Mayweather vs. McGregor pay per view boxing event that affected a significant number of UFC.TV users. The Company does not believe the issue was systemic or fundamental to the NeuLion Digital Platform or the Company’s underlying technology. The Company has been working in collaboration with the UFC to process refunds for purchasers who were unable to view the fight.

On September 1, 2017, the Company was named along with several other parties in a class action lawsuit in the United States District Court for the District of Nevada that claims to have been filed on behalf of the affected purchasers. The Company has subsequently been named, along with other parties, in two other similar class action lawsuits in the United States District Court for the District of Nevada (filed September 14, 2017) and the United States District Court for the Southern District of New York (filed September 13, 2017). A motion to consolidate these three class action lawsuits along with several other class action lawsuits filed against unrelated streaming providers of the same pay per view event is pending in the United States District Court for the Southern District of New York. While the Company disagrees with many of the allegations set forth in the class action lawsuits and intends to vigorously defend itself (including but not limited to defenses based upon the lack of any contractual relationship between the Company and the affected purchasers), the Company believes that the refund program will render the lawsuits moot.

Item 6. Exhibits

(b) Exhibits

The exhibits listed below are filed or furnished as part of this report.

Exhibit No.	Description	Incorporated by Reference Form	Date	Number	Filed or Furnished Herewith
3(i)	Corrected Amended and Restated Certificate of Incorporation of NeuLion, Inc.				Filed
31.1	Certification of Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				Filed
31.2	Certification of Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				Filed
32	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				Furnished
101.INS	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				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 thereunto duly authorized.

NEULION, INC.

Date: November 1, 2017

By: /s/ Roy E. Reichbach
Name: Roy E. Reichbach
Title: President and Chief Executive Officer

Date: November 1, 2017

By: /s/ Tim Alavathil
Name: Tim Alavathil
Title: Chief Financial Officer

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CORRECTED CERTIFICATE OF "NEULION, INC.", FILED IN THIS OFFICE ON NINETEENTH DAY OF SEPTEMBER, A.D. 2017, AT 1:22 O`CLOCK P.M.

Jeffrey W. Bullock, Secretary of State

4905056 8101
SR# 20176231368

Authentication: 203250924
Date: 09-19-17

State of Delaware
Secretary of State
Division of Corporations
Delivered 01:22 PM 09/19/2017
FILED 01:22 PM 09/19/2017
SR 20176227469 - File Number 4905056

STATE OF DELAWARE

CORRECTED AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

NEULION, INC.

NeuLion, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware.

DOES HEREBY CERTIFY:

1. The name of the corporation is NeuLion, Inc.

2. An Amended and Restated Certificate of Incorporation was filed by the Secretary of State of Delaware on June 2, 2016 and that said Certificate requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware.

3. The inaccuracy or defect of said Certificate is: The date of the original filing of the Certificate of Incorporation is incorrect.

4. Article 2 of the Certificate is corrected to read as follows:

   "SEE ATTACHED"

IN WITNESS WHEREOF, said corporation has caused this Corrected Amended and Restated Certificate of Incorporation to be executed this 19th day of September, 2017.

By: Stacey Sabo
Authorized Officer

Name: Stacey Sabo
Print or Type

Title: Deputy General Counsel and Corporate Secretary

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AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
NEULION, INC.

Pursuant to Section 242 and 245 of the
Delaware General Corporation Law

NeuLion, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), does hereby certify as follows:

1. The name of the corporation is NeuLion, Inc.

2. The Corporation's Certificate of Incorporation was filed in the office of the Secretary of State of the State of Delaware on November 30, 2010 (the "Certificate of Incorporation").

3. This Amended and Restated Certificate of Incorporation restates, integrates and amends the Certificate of Incorporation of the Corporation.

4. This Amended and Restated Certificate of Incorporation was duly adopted by the written consent of the directors and at a meeting of stockholders of the Corporation in accordance with the applicable provisions of Sections 141(f), 211, 242, and 245 of the General Corporation Law of the State of Delaware.

5. The text of the Certificate of Incorporation of the Corporation is hereby amended and restated to read in full as follows:

FIRST: The name of the corporation is NeuLion, Inc. (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware, County of New Castle, Delaware (19808). The name of the registered agent of the Corporation at that address is Corporation Service Company.

THIRD: The purpose of the Corporation is to engage in any and all lawful acts and activities for which corporations may be organized under the General Corporation Law of the State of Delaware ("GCL"). The Corporation shall have the power to perform all lawful acts and activities.

FOURTH: The Corporation will have perpetual existence.

FIFTH: The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 550,000,000, of which 500,000,000 shares shall be common stock of the par value of $.01 per share ("Common Stock") and 50,000,000 shares shall be preferred stock of the par value of $.01 per share ("Preferred Stock").

(A) Preferred Stock. The Board of Directors is expressly granted authority to issue shares of Preferred Stock, in one or more series, and to fix for each such series such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such series (a "Preferred Stock Designation") and as may be permitted by the GCL. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

(B) Common Stock. Except as otherwise required by law or as otherwise provided in any Preferred Stock Designation, the holders of shares of Common Stock shall exclusively possess all voting power and each share of Common Stock shall have one vote.

SIXTH:

(A) Subject to the provisions of this Certificate of Incorporation, the Corporation may issue shares of its Preferred Stock and Common Stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors, which is expressly authorized to fix the same in its absolute discretion. Shares so issued for which the consideration shall have been paid or delivered to the Corporation shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holder of such shares shall not be liable for any further payments in respect of such shares.

(B) No stockholder of the Corporation shall, by reason of such stockholder's holding shares of any class of capital stock of the Corporation, have any preemptive or preferential right to acquire or subscribe for any additional, unissued or treasury shares (whether now or hereafter acquired) of any class of capital stock of the Corporation now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying any right, option or warrant to subscribe for or acquire shares of any class of capital stock of the Corporation now or hereafter to be authorized, regardless of whether the issuance of any such shares or such notes, debentures, bonds or other securities would adversely affect the dividends or voting or other rights of such stockholder.

SEVENTH: The Board of Directors shall have the power to adopt, amend or repeal the Bylaws of the Corporation.

EIGHTH: Elections of directors need not be by written ballot except and to the extent provided in the Bylaws of the Corporation.

NINTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute and this Amended and Restated Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

TENTH:

(A) A current or former director or officer of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

(1) for any breach of the director's duty of loyalty to the Corporation or its stockholders;

(2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

(3) under Section 174 of the GCL, as the same exists or as such provision may be hereafter amended, supplemented or replaced; or

(4) for any transaction from which the director derived an improper personal benefit.

(B) The Corporation shall indemnify its directors and officers, to the fullest extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall be a contract right and shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal or legal representative; provided, however, that except for proceedings to enforce rights to indemnification, the Corporation shall not be obliged to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The right to indemnification conferred by this Article TENTH shall include the vested right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

(C) The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article TENTH on directors and officers of the Corporation.

(D) The rights to indemnification and to the advancement of expenses conferred in this Article TENTH shall not be exclusive of any other right which any person may have or hereafter acquire under this Amended and Restated Certificate of Incorporation, the Bylaws of the Corporation, any statute or agreement, by vote of the Corporation's stockholders or disinterested directors, or otherwise.

(E) Any repeal or amendment of this Article TENTH shall be prospective only, and shall not adversely affect any limitation on the personal liability, the right to indemnification, or the vested right to advancement of expenses of a current or former director or officer of the Corporation arising from an act or omission occurring prior to the time of such repeal or amendment. If the GCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the GCL, as so amended.

ELEVENTH: The Corporation hereby elects not to be governed by Section 203 of the GCL.

IN WITNESS WHEREOF, the undersigned, on behalf of the Corporation, has executed this Amended and Restated Certificate of Incorporation as of the 2nd day of June, 2016.

Roy E. Reichbach
General Counsel and Corporate Secretary

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Roy E. Reichbach, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NeuLion, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2017

/s/ Roy E. Reichbach

Name: Roy E. Reichbach
Title: President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Tim Alavathil, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NeuLion, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2017

/s/ Tim Alavathil

Name: Tim Alavathil
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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

In connection with this Quarterly Report on Form 10-Q of NeuLion, Inc. (the “Company”) for the quarterly period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. (section) 1350, as adopted pursuant to (section) 906 of the Sarbanes-Oxley Act of 2002, that to the best of his or her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2017

/s/ Roy E. Reichbach
Name: Roy E. Reichbach
Title: President and Chief Executive Officer
(Principal Executive Officer)

Date: November 1, 2017

/s/ Tim Alavathil
Name: Tim Alavathil
Title: Chief Financial Officer
(Principal Financial Officer)