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

FORM 6-K
Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934

For the month of December 2015 (Report No. 6)

Commission File Number: 000-51694

Perion Network Ltd.
(Translation of registrant's name into English)

1 Azrieli Center, Building A, 4th Floor
26 HaRokmim Street, Holon, Israel 5885849
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): N/A

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): N/A

Contents

This Report on Form 6-K of the registrant is incorporated by reference into the registrant's Registration Statements on Form F-3 (Registration Nos. 333-208785 and 333-195794) and Form S-8 (Registration Nos. 333-208278, 333-203641, 333-193145, 333-192376, 333-188714, 333-171781, 333-152010 and 333-133968).

This Report on Form 6-K of the registrant consists of the following documents, which are attached hereto and incorporated by reference herein.

Exhibit 99.1:	Audited consolidated balance sheets of Interactive Holding Corp. and its subsidiaries (collectively referred to as "Undertone") as of December 31, 2013 and 2014, and audited consolidated statements of operations and comprehensive income, changes in stockholders' equity and cash flows of Undertone for the years ended December 31, 2012, 2013 and 2014
Exhibit 99.2:	Unaudited consolidated balance sheets, consolidated statements of operations and comprehensive income, changes in stockholders' equity and cash flows of Undertone as of and for the six months ended June 30, 2015
Exhibit 99.3:	Unaudited pro forma combined financial data of Perion Network Ltd. and Undertone for the year ended December 31, 2014 and as of and for the six months ended June 30, 2015
Exhibit 99.4:	Consent of PricewaterhouseCoopers LLP

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.

Perion Network Ltd.

By: /s/ Limor Gershoni Levy
Name: Limor Gershoni Levy
Title: Corporate Secretary & General Counsel

Date: December 31, 2015

Exhibit Index

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Exhibit 99.1

CONSOLIDATED FINANCIAL STATEMENTS

INTERACTIVE HOLDING CORP.

DECEMBER 31, 2014, 2013 and 2012

INTERACTIVE HOLDING CORP.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
DECEMBER 31, 2014, 2013 AND 2012

CONTENTS

Independent Auditor's Report

To the Board of Directors of Interactive Holding Corp.:

We have audited the accompanying consolidated financial statements of Interactive Holding Corp. and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2014 and December 31, 2013, and the related consolidated statements of operations and comprehensive income, of stockholders' equity/(deficit), and of cash flows, for the years ended December 31, 2014, 2013, and 2012.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company'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 Company'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 Interactive Holding Corp. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for the three years ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

New York, NY
September 21, 2015

INTERACTIVE HOLDING CORP.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31,

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 6,528,069	$ 18,016,527
Accounts receivable, net of allowance of $649,304 and $1,101,570 at December 31, 2014 and 2013, respectively	54,606,935	59,558,066
Prepaid expenses and other current assets	4,027,996	2,233,114
Current deferred tax asset	349,615	982,776
Total current assets	65,512,615	80,790,483
Property and equipment, net	2,949,362	3,292,745
Other assets, net	162,892	154,230
Intangible assets, net	11,144,482	6,645,587
Goodwill	60,408,097	60,193,393
Total assets	**$ 140,177,448**	**$ 151,076,438**
LIABILITIES, CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' (DEFICIT)/EQUITY		
Current Liabilities		
Accounts payable	$ 14,059,537	$ 16,806,569
Accrued expenses	20,291,256	22,916,370
Deferred revenue	1,493,957	2,140,738
Debt, current portion	2,250,000	3,093,750
Income taxes payable	827,262	346,040
Due to stockholder	-	363,552
Other current liabilities	2,482,116	812,778
Total current liabilities	41,404,128	46,479,797
Preferred stock warrant liability	-	1,642,898
Debt, long term portion	57,000,000	22,859,375
Other long term liabilities	890,327	-
Other long term income tax liability	523,626	1,923,725
Long term deferred tax liability	2,653,622	2,187,553
Total liabilities	102,471,703	75,093,348
Commitments and Contingencies (Note 15)		
Series A redeemable convertible preferred stock; $0.0005 par value; 40,000,000 shares authorized; 37,184,556 and 36,693,432 shares issued and outstanding at December 31, 2014 and 2013, respectively; aggregate liquidation preference of $59,436,262 and $54,421,134, respectively	59,436,262	54,421,134
Stockholders' (deficit)/equity		
Common stock; par value of $0.0005 per share; 60,000,000 shares authorized; 1,384,262 and 1,115,783 shares issued and outstanding at December 31, 2014 and 2013, respectively	692	558
Additional paid-in capital	-	2,386,168
Accumulated (deficit) earnings	(22,346,087)	19,356,826
Accumulated other comprehensive income (loss)	614,878	(181,596)
Total stockholders' (deficit)/equity	(21,730,517)	21,561,956
Total liabilities, convertible preferred stock, and stockholders' (deficit)/equity	**$ 140,177,448**	**$ 151,076,438**

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

INTERACTIVE HOLDING CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,

	2014	2013	2012
Revenue	$ 167,311,131	$ 176,125,673	$ 128,125,148
Cost of revenue	76,264,760	78,159,890	57,747,162
Gross profit	91,046,371	97,965,783	70,377,986
Operating expenses			
General and administrative	19,487,955	17,517,217	10,876,664
Research & development	13,536,837	9,063,437	5,852,181
Sales and marketing	39,094,486	37,728,320	32,787,640
Other operating expense	3,743,145	3,190,318	1,374,972
Total operating expenses	75,862,423	67,499,292	50,891,456
Income from operations	15,183,948	30,466,491	19,486,530
Interest expense, net	2,025,959	1,849,422	694,865
Other expense, net	495,404	816,860	(374,349)
Total other expense, net	2,521,363	2,666,282	320,517
Income before provision for income taxes	12,662,585	27,800,209	19,166,013
Provision for income taxes	5,664,131	11,855,508	9,489,908
Net income	**$ 6,998,454**	**$ 15,944,701**	**$ 9,676,105**
Comprehensive income (loss)			
Foreign currency translation adjustment	796,474	(220,164)	(103,693)
Comprehensive income	**$ 7,794,928**	**$ 15,724,537**	**$ 9,572,412**

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

INTERACTIVE HOLDING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY/(DEFICIT)
FOR THE YEARS ENDED DECEMBER 31,

	Series A Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid- in Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity/(Deficit)
Balance as of January 1, 2012	36,693,432	$ 62,510,439	878,400	$ 439	$ 1,247,420	$ 2,724,443	$ 142,261	$ 4,114,563
Stock option expense					508,451			508,451
Series A preferred stock compensation		43,608						-
Stock issuance through options exercised			688,270	344	882,205			882,549
Dividends paid		(17,121,336)						-
Accretion to redemption value		4,957,228				(4,957,228)		(4,957,228)
Translation adjustment							(103,693)	(103,693)
Net Income						9,676,105		9,676,105
Balance as of December 31, 2012	36,693,432	$ 50,389,939	1,566,670	$ 783	$ 2,638,076	$ 7,443,320	$ 38,568	$ 10,120,747
Stock option expense					1,340,507			1,340,507
Stock issuance through options exercised			379,469	190	1,047,703			1,047,893
Stock repurchase			(830,356)	(415)	(2,640,118)			(2,640,533)
Accretion to redemption value		4,031,195				(4,031,195)		(4,031,195)
Translation adjustment							(220,164)	(220,164)
Net income						15,944,701		15,944,701
Balance as of December 31, 2013	36,693,432	$ 54,421,134	1,115,783	$ 558	$ 2,386,168	$ 19,356,826	$ (181,596)	$ 21,561,956
Stock option expense					2,337,991			2,337,991
Stock option windfall					190,354			190,354
Cashless exercise of stock option			156,799	78	(404,731)			(404,653)
Stock issuance through warrant exercise	491,124	1,501,950						-
Stock issuance through options exercised			101,483	51	155,213			155,264
Stock issuance through restricted stock grant			10,197	5	31,488			31,493
Dividends paid					(4,696,483)	(45,188,189)		(49,884,672)
Accretion to redemption value		3,513,178				(3,513,178)		(3,513,178)
Translation adjustment							796,474	796,474
Net income						6,998,454		6,998,454
Balance as of December 31, 2014	**37,184,556**	**$ 59,436,262**	**1,384,262**	**$ 692**	**$ (0)**	**$ (22,346,087)**	**$ 614,878**	**$ (21,730,517)**

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

INTERACTIVE HOLDING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2014	2013	2012
OPERATING ACTIVITIES			
Net Income	$ 6,998,454	$ 15,944,701	$ 9,676,105
Adjustments to reconcile net Income			
to net cash provided by operations:			
Amortization	2,864,823	2,620,854	2,181,025
Deferred taxes	1,099,305	(392,508)	240,139
Stock-based compensation	2,337,991	1,340,507	552,059
Restricted stock compensation	31,493	-	-
Stock option windfall	(190,354)	-	-
Depreciation	1,151,662	695,034	226,042
Loss on disposal of property, plant, & equipment	93,200	25,807	-
(Recovery of bad debt) Allowance for doubtful accounts	(417,007)	(810,480)	177,207
Amortization of loan fees	366,843	156,388	126,207
Mark-to-Market on SWAP	288,654	-	-
Mark-to-Market on option	156,935	-	-
Mark-to-Market on warrant liability	(765,947)	692,710	(36,508)
Change in net foreign currency loss	1,099,012	(262,867)	215,953
Changes in operating assets and liabilities:			
Accounts receivable, net of acquisitions of businesses	4,661,000	(3,949,091)	(12,679,034)
Prepaid expenses and other assets	(419,642)	418,095	(1,554,517)
Accounts payable and accrued expenses	(4,902,001)	8,192,648	2,923,909
Deferred revenue	(897,889)	1,741,361	452,171
Due to stockholder	(363,552)	107,927	-
Other liabilities	2,535,886	117,750	-
Income taxes payable	(721,639)	(2,391,447)	1,636,817
Net cash provided by Operating Activities	**15,007,227**	24,247,389	4,137,575
INVESTING ACTIVITIES			
Capitalization of software development costs	(5,433,719)	(2,461,172)	(2,037,074)
Restricted cash	-	184,044	1,580,396
Business acquisitions, net of cash acquired	(2,054,633)	-	-
Purchases of property and equipment	(800,349)	(3,558,686)	(290,446)
Net cash used in Investing Activities	**(8,288,701)**	(5,835,814)	(747,124)
FINANCING ACTIVITIES			
Borrowings from bank	67,000,000	4,000,000	36,967,597
Debt repayment	(33,703,125)	(12,014,472)	(13,730,930)
Loan acquisition costs	(1,782,168)	-	-
Proceeds from exercise of warrants	625,000	-	-
Proceeds from exercise of stock options	155,264	1,047,893	882,550
Taxes paid in connection with cashless exercise of stock options	(561,588)	-	-
Repurchase of stock	-	(2,640,533)	-
Dividends paid	(49,884,672)	-	(17,121,335)
Stock option windfall	190,354	-	-
Acquisition payment under earn-out arrangement	-	(3,597,276)	(1,851,224)
Net cash used in Financing Activities	**(17,960,935)**	(13,204,388)	5,146,657
Effect of exchange rate changes on cash and cash equivalents	(246,049)	69,103	(833,727)
Net cash decrease for the period	(11,488,458)	5,276,290	7,703,381
Cash at beginning of the period	18,016,527	12,740,237	5,036,856
Cash at end of the period	**$ 6,528,069**	$ 18,016,527	$ 12,740,237
Non-Cash Financing Activity			
Conversion of warrant liability to equity	$ 876,950	$ -	$ -
Business acquisition - holdback payment	$ 191,200	$ -	$ -
Supplemental Disclosure			
Cash paid for income tax	$ 6,268,358	$ 14,285,974	$ 7,698,225
Cash paid for interest	$ 2,074,178	$ 1,613,933	$ 625,153

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Interactive Holding Corp. (“IHC”, the “Company”), together with its subsidiaries is a digital advertising company. The Company was incorporated in the State of Delaware on February 21, 2008. Following its incorporation, IHC formed a wholly owned subsidiary, IHC Acquisition Corp, to merge with Intercept Interactive Inc. (dba Undertone), a privately held entity incorporated in the State of New York on March 5, 2001.

On March 19, 2008, Intercept Interactive, Inc. merged with IHC Acquisition Corp.

As of December 31, 2014, the Company’s subsidiaries consist of World Web Network (WWN), Jambo Media LLC (Jambo), and U.U.U.I Undertone Israel Ltd. (Upfront).

Liquidity

At any time after March 19, 2013, the holders of a majority of the Company's Series A Preferred Stock (“Series A Preferred”) can request a redemption ("Redemption Request") of their Series A Preferred stock. The amount redeemable is limited to funds that are determined to be legally available (See Note 8). If in the future such a Redemption Request is made, it could have a significant adverse impact on the Company's liquidity, operations and financial condition and may impact its ability to continue as a going concern. There have been no redemption requests subsequent to March 19, 2013 through the issuance date of the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of IHC and its controlled subsidiaries and have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). All intercompany transactions and balances have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates.

Significant estimates inherent in the preparation of the accompanying consolidated financial statements include allowance for doubtful accounts, useful lives of property and equipment and intangible assets, impairment analysis of goodwill and intangible assets, realizability of deferred tax assets, allocation of the purchase price relating to acquisitions in accordance with acquisition accounting, and fair value of stock options and warrants.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments with original maturities of three months or less at the time of purchase. The carrying value of these investments approximates fair value. At times, cash in banks may exceed federally insured limits.

Restricted cash

Restricted cash consisted of cash balances set aside for escrow commitments from the Company’s acquisition of Jambo and WWN. In March 2013, the Company settled an earn-out dispute with the sellers of Jambo due under the original purchase agreement which included a release of all claims relating to the 2011 and 2012 earn-out opportunities (see Note 5). As a result of this settlement, the Company released the Jambo escrow commitment during 2013. As of December 31, 2014 and 2013, the Company had restricted cash balances of $0.

Accounts receivable and allowance for doubtful accounts

Trade accounts receivables are stated at realizable value, net of an allowance for doubtful accounts. The Company extends credit to customers based on an evaluation of their financial condition and other factors and generally does not require collateral or other security to support accounts receivable. The Company performs ongoing credit evaluations of its customers, evaluating its outstanding accounts receivable and establishes an allowance for doubtful accounts based on information available on their credit condition, current aging, and historical experience. These allowances are re-evaluated and adjusted periodically as additional information is available.

Loan fees

Costs incurred in connection with the issuance of debt were included in other assets and amortized to other expense over the related loan term.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight line method over the estimated useful lives of the assets, as follows:

Computer equipment	3 years
Furniture and fixtures	5 years
Vehicle	3 years
Leasehold improvements	Shorter of useful life or lease term

Internal use software

Capitalization of software development costs begins at the point when the preliminary project stage is completed, management commits to funding the project, it is probable that the project will be completed and the software will be used as intended. For the years ended December 31, 2014, 2013, and 2012, $2,877,027, $1,476,518, and $1,160,924, respectively, of internal payroll and related costs were capitalized. In addition, for the years ended December 31, 2014, 2013, and 2012, $2,556,692, $984,654, and $876,150, respectively, of outside consultant and contractor fees were capitalized to internal use software projects. These costs are amortized on a straight-line basis over a three-year estimated useful life. For the years ended December 31, 2014, 2013, and 2012, $2,540,103, $1,614,706, and $1,097,158, respectively, was recorded as amortization expense.

Business combinations and intangible assets including goodwill

The company accounts for business combinations using the acquisition method in accordance with Accounting Standards Codification ("ASC") 805, "*Business Combinations*." The identifiable assets acquired and the liabilities assumed are recorded at acquisition date fair values. Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. Identifiable intangible assets with finite lives are amortized over their useful lives. Amortization of completed technology is recorded in cost of revenue. Amortization of all other intangible assets is recorded in selling, general and administrative expense. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Intangible assets consist of trademark, customer relationships, acquired trade name, non-competition agreements and publisher relationships. Customer relationships, publisher relationships and non-competition agreements are amortized on a straight-line basis over their estimated useful life of three years. The trademark asset is an indefinite-lived intangible that is not subject to amortization and is evaluated at least annually for impairment. The acquired technology purchased in connection with the Jambo and Upfront acquisitions is amortized over its estimated useful life of five years.

Impairment

The Company tests intangibles and goodwill for impairment in accordance with the provisions of ASC 350, "*Intangibles - Goodwill and Other*". Long-lived assets, other than goodwill and the trademark asset, are tested for impairment when conditions indicate an impairment may have occurred based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Goodwill and the trademark asset are tested at least annually for impairment, in the fourth quarter, or sooner when circumstances indicate an impairment may exist, using a fair-value approach at the reporting unit level. As of December 31, 2014, 2013, and 2012, the Company has determined that no adjustment for impairment to the carrying values was required.

Revenue recognition

The Company recognizes revenue in accordance with ASC 605, "*Revenue Recognition*." Accordingly, the Company recognizes revenue when the following criteria have been met: (1) persuasive evidence of an arrangement exists, (2) the fees are fixed or determinable, (3) delivery has occurred or services have been rendered, and (4) collection is reasonably assured. Revenues consist of amounts charged to customers for advertisements placed on the Company's publisher vendor's websites, net of discounts, credits and amounts paid or due under revenue sharing arrangements. The Company's revenue is recognized in the period that the advertising impressions, click-throughs or actions occur.

The determination regarding whether revenue is recognized on a gross or net basis is dependent on whether the Company acts as a principal or an agent in transactions with customers. When the Company is acting as a principal, revenue is reported gross and any payments to third parties are recorded as costs of revenue. When the Company is acting as an agent between different parties, revenue is reported net of the costs incurred to place advertisements on publisher vendor's websites, in accordance with the accounting guidance for principal-agent considerations. The determination of whether the Company is acting as a principal or agent involves judgment and is based on several factors including whether the Company is the primary obligor in the arrangement (responsible for providing the service), the assumption of inventory risk, the latitude the Company has in establishing price and in supplier selection, and the involvement of the Company in determining service specification.

In most transactions with its customers, the Company, as the primary obligor, is involved in establishing price and vendor selection, and in performing billing and collection activities and incurring credit risk, and therefore acts as principal in these arrangements and reports revenue earned on costs incurred on a gross basis. The Company acts as an agent in regards to generating certain advertising revenues through our programmatic technology platform, and reports these revenues on a net basis.

Deferred revenue arises as a result of differences between the timing of revenue recognition and receipt of cash from the Company's customers.

The Company operates a strategic partnership, Undertone+, providing preferred partners the ability to earn credits based on spend that can be redeemed for various Undertone products and services. Based on established contract terms, credits expire 90 days from the last calendar day of the partnership period. When an Undertone+ preferred partner earns credits, the Company establishes a liability for the estimated cost of future redemptions of credits and revenue is deferred until the credits are redeemed or expire. As of December 31, 2014 and 2013, the Company had $279,756 and $264,875, respectively, related to the Undertone+ credits on the consolidated Balance Sheets within other current liabilities. The Company determined this amount based on the actual known information of usage and expiration of credits subsequent to year end. The Company continually evaluates its liability methodology and assumptions based on developments in redemption patterns, contract term updates, and other factors.

Cost of revenue

Cost of revenue consists primarily of expenses for the purchase of advertising impressions from publishers and costs associated with the development, targeting, rich media and services in delivery of advertising units. The Company becomes obligated to make payments related to such expenses in the period the advertising impressions, click-throughs, actions or lead-based information are delivered or occur. Such expenses are classified as cost of revenue in the corresponding period in which the revenue is recognized in the accompanying Consolidated Statement of Operations. In addition, cost of revenue also includes the amortization expense of capitalized internal use software cost.

Advertising costs

Advertising costs related to ongoing activities are expensed as incurred. For the years ended December 31, 2014, 2013 and 2012, advertising costs totaled $428,226, $479,640, and $593,595, respectively.

Insurance recoveries

In March 2012, the Company determined that 27 customer checks, aggregating to $711,589 that customers had purportedly mailed to Undertone, may have been stolen en route to the Company. The Company immediately notified the United States Postal Inspection Service, customers, and various financial institutions, and an investigation into a potential check fraud scheme was commenced. During 2012 and 2013, the Company received $195,356 and $506,233, respectively, with the remaining balance representing an insurance deductible.

On November 29, 2012, the Company became aware that approximately 88 terminated employees remained active on its health benefits plans. Eight of these former employees reimbursed the Company for the benefits in the form of Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) payments. The Company did not receive reimbursement from the remaining 80 former employees. The estimated benefit cost paid on behalf of the non-contributing former employees was approximately $1,200,000, dating back to 2010 and the Company sought redress from its broker of employee benefits. In May 2013, the Company reached a settlement with its broker of employee benefits, in which the provider agreed to reimburse the Company $600,000, which is recorded as part of 2012 operating income and included in accounts receivable as of December 31, 2012. The company received the $600,000 in July 2013.

Stock-based compensation

The Company recognizes compensation expense for stock-based compensation in accordance with ASC 718, “*Compensation – Stock Compensation*.” The value of the portion of employee stock-based awards expected to vest is recognized as compensation expense, net of estimated forfeitures, over the requisite service period.

The Company calculates the fair value of employee stock-based awards on the date of grant using the Black-Scholes option pricing model. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

In addition, the Company grants option awards to non-employees acting in advisory and consulting capacities. For non-employee share-based awards, the Company calculates the fair value of the award on the date of grant in the same manner as employee stock-based awards, however, the unvested portion of the awards are revalued at the end of each reporting period and the pro-rata compensation expense is adjusted accordingly until such time the non-employee award is fully vested. At that time, the total compensation recognized to date shall equal the fair value of the share-based award as calculated on the measurement date, which is the date at which the award recipient’s performance is complete.

Fair value of financial instruments

The Company applies ASC 820 "*Fair Value Measurements and Disclosures*", for financial assets and liabilities that are required to be measured at fair value, and non-financial assets and liabilities that are not required to be measured at fair value on a recurring basis. See note 10 for fair value of financial instrument disclosure.

Interest rate swaps

The Company sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaps allow the Company to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if it borrowed at fixed rates directly. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The Company records the difference between fixed contract rates and floating rate interest amounts in other expenses during the period in which these amounts arise.

Income taxes

The Company uses the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "*Income Taxes*." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year; and, (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's consolidated financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if, based on the weight of the available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. A liability (including interest if applicable) is established in the consolidated financial statements to the extent a current benefit has been recognized on a tax return for matters that are considered contingent upon the outcome of an uncertain tax position. Interest and penalties, if any, are included as components of income tax expense and income taxes payable.

The Company follows ASC 740 when accounting for tax contingencies. The guidance prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under US GAAP, tax benefits are initially recognized in the consolidated financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

Revision of Previously Issued Financial Statements

The Company has identified certain errors that affected the reported results of 2013 and prior years. For the year ended 2011, accounts payable, cost of revenue and operating expenses were revised to correct certain balances that were incorrectly recorded as outstanding payables. For 2013 certain stock compensation which had previously been recorded within operating expenses, was revised to correct an error. For 2012 and 2013, cost of revenue, operating expense, other expense, prepaid expenses, accounts payable, accrued expenses and other comprehensive income were revised to correct an error in the recording of certain intercompany transactions and certain other balance sheet classifications.

Based on an analysis of quantitative and qualitative factors, the Company concluded that these errors were immaterial individually and in the aggregate, to all of the prior periods presented. As the 2011 financial statements have not been presented herein, the Company has revised the opening accumulated deficit as of January 1, 2012 by $140,783. In addition, the Company's Consolidated Statement of Cash Flows for the year ended December 31, 2013 and 2012 were revised to account for the adjustments made to the accounts below.

The effects of the revisions on the Company's Consolidated Statements of Operations were as follows:

	2011			2012			2013		
	Previously Reported	Adjustments	Revised	Previously Reported	Adjustments	Revised	Previously Reported	Adjustments	Revised
Cost of Revenue	$ 49,222,015	$ (143,476)	$ 49,078,539	$ 57,747,162	-	$ 57,747,162	$ 78,163,062	$ (3,172)	$ 78,159,890
General and administrative	13,107,334	(99,714)	13,007,620	11,064,218	$ 147,013	11,211,231	18,673,199	(637,102)	18,036,097
Research & development	4,423,965	-	4,423,965	5,781,517	-	5,781,517	8,966,864	(5,040)	8,961,824
Sales and marketing	24,938,955	-	24,938,955	32,523,737	-	32,523,737	37,311,403	(350)	37,311,053
Other operating expense	426,558	-	426,558	1,974,672	-	1,974,672	4,045,251	(854,933)	3,190,318
Interest expense, net	688,121	-	688,121	694,865	-	694,865	1,859,465	(10,043)	1,849,422
Other (income) expense	(1,571,285)	-	(1,571,285)	(100,990)	(273,359)	(374,349)	171,714	645,146	816,860
Provision for income taxes	7,089,495	102,407	7,191,902	9,448,955	40,954	9,489,909	11,813,146	42,362	11,855,508
Totals		$ (140,783)			$ (85,392)			$ (823,132)	

The effects of the revisions on the Company's Consolidated Balance Sheets were as follows:

	2011			2012			2013		
	Previously Reported	Adjustments	Revised	Previously Reported	Adjustments	Revised	Previously Reported	Adjustments	Revised
Prepaid expenses and other current assets	$ 1,352,306	-	$ 1,352,306	$ 2,173,190	-	$ 2,173,190	$ 2,376,229	$ (143,115)	$ 2,233,114
Accounts payable	(12,589,057)	$ 243,190	(12,345,867)	(12,447,123)	$ 372,788	(12,074,335)	(17,120,995)	314,426	(16,806,569)
Accrued expenses	(21,721,624)	-	(21,721,624)	(22,834,907)	-	(22,834,907)	(23,516,908)	600,538	(22,916,370)
Deferred revenue	(641,762)	-	(641,762)	(1,093,857)	-	(1,093,857)	(2,953,516)	812,778	(2,140,738)
Other current liabilities	-	-	-	-	-	-	-	(812,778)	(812,778)
Income Taxes Payable	(900,537)	(102,407)	(1,002,944)	(1,901,045)	(144,396)	(2,045,441)	(156,203)	(189,837)	(346,040)
Additional paid-in capital	(1,247,420)	-	(1,247,420)	(2,638,076)	-	(2,638,076)	(2,871,403)	485,235	(2,386,168)
Accumulated earnings	(14,947,347)	(140,783)	(15,088,130)	(7,416,723)	(226,176)	(7,642,899)	(22,538,293)	(1,049,307)	(23,587,600)
Accumulated other comprehensive income	(142,261)	-	(142,261)	(36,352)	(2,216)	(38,568)	199,536	(17,940)	181,596

The effects of the revisions on the Company's Consolidated Statements of Cash Flows were as follows:

	2011			2012			2013		
	Previously Reported	Adjustments	Revised	Previously Reported	Adjustments	Revised	Previously Reported	Adjustments	Revised
Cashflow from Operations	$ 2,840,565	-	$ 2,840,565	$ 4,139,791	$ (2,216)	$ 4,137,575	$ 24,269,445	$ (22,056)	$ 24,247,389
Effects of exchange rate changes on cash and cash equivalents	135,230	-	135,230	(835,943)	2,216	(833,727)	47,047	22,056	69,103

Recent accounting pronouncements

In April 2014, the FASB issued ASU 2014-08 "*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*" (ASU 2014-08), which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. ASU 2014-08 is effective for the Company beginning January 1, 2015 and is not expected to have a material impact on the Company's financial statements unless there is a future disposal transaction within scope.

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers"* (ASU 2014-09), which modifies the existing accounting standards for revenue recognition to depict the transfer of promised goods or services in an amount that reflects the consideration that a company is expected to be entitled to under a five step approach which will work to create a more consistent accounting framework between U.S. GAAP and International Financial Reporting Standards. ASU 2014-09 was initially scheduled to be effective for the Company for the year ended December 31, 2018, but was modified to delay the effective date by one year to the year ended December 31, 2019. The accounting guidance provides for two transition methods for implementation and will be applied to prior reporting periods for comparable information. The Company is in the process of determining the impact that this standard will have on the timing of revenue recognition as well as the transition method that will be utilized.

June 2014, the FASB issued ASU 2014-12, "*Stock Compensation*" (ASU 2014-12), providing guidance on accounting for share-based payment awards when the terms of an award provide that a performance target could be achieved after the requisite service period. The update clarifies that performance targets that can be achieved after the requisite service period of a share-based payment award be treated as performance conditions that affect vesting. These awards should be accounted for under Accounting Standards Codification Topic 718, Compensation - Stock Compensation, and existing guidance should be applied as it relates to awards with performance conditions that affect vesting. The update will become effective for the Company for annual periods and interim periods within those annual periods beginning after December 15, 2015. The Company is currently evaluating the impact of the adoption of this standard, if any, on its Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-15, "*Presentation of Financial Statements - Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*" (ASU 2014-15). The standard requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. The update will become effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter. The Company does not expect this standard to have a material impact on its Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03, "*Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*" (ASU 2015-03), which requires an entity to present debt issuance costs on the balance sheet as a direct deduction from the related liability rather than as an asset. ASU 2015-03 is effective for annual and interim reporting periods beginning after December 15, 2015. The Company is currently evaluating the impact of the adoption of this standard, if any, on its Consolidated Financial Statements and does not expect this standard to have a material impact on its Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-05, "*Intangibles-Goodwill and Other-Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*" (ASU 2015-05), which provides guidance about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement does not include a software license, the Company should account for the arrangement as a service contract. ASU 2015-05 is effective for annual and interim reporting periods beginning after December 15, 2015. The Company is currently evaluating the impact of the adoption of this standard, if any, on its Consolidated Financial Statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Computer equipment	$ 1,652,946	$ 1,411,791
Furniture and fixtures	831,445	658,586
Vehicle	353,377	192,744
Leasehold improvements	1,907,690	1,809,582
Property and equipment, gross	4,745,458	4,072,703
Less: Accumulated Depreciation and Amortization	(1,796,096)	(779,958)
Property and equipment, net	$ 2,949,362	$ 3,292,745

Total depreciation and amortization expense on property and equipment was $1,151,662, $695,034, and $226,042 for the years ended December 31, 2014, 2013, and 2012, respectively. The loss on disposal of property and equipment was $93,200, $25,807, and $0 for the years ended December 31, 2014, 2013, and 2012, respectively. For the year ended December 31, 2014, the loss on disposal of property and equipment is related to the loss on cease use liability (Note 15). Accumulated depreciation and amortization includes disposals of $135,524, $1,047,073, and $0 for the years ended December 31, 2014, 2013 and 2012, respectively.

NOTE 3 – ACCRUED EXPENSES

Accrued expenses consist of the following at December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Accrued publisher fees	$12,599,150	$14,318,330
Payroll accrual	4,668,802	5,765,260
Other accrued expenses	3,023,304	2,832,780
Total	$20,291,256	$22,916,370

NOTE 4 – DUE TO STOCKHOLDER

As of December 31, 2013, the Due to Stockholder balance of $363,552 represented estimated funds due to the former owners of Intercept Interactive, Inc. and its acquired companies. During 2013, an adjustment of $107,927 was made as a result of a change in estimate. The balance was paid in January 2014.

NOTE 5 – BUSINESS COMBINATIONS

Jambo Media, LLC

In March 2013, the Company settled a dispute with the sellers of Jambo over the amount of the earn-out obligations due under the stock purchase agreement. This settlement included a release of all claims by sellers relating to the 2011 and 2012 earn-out opportunities. The final amount paid during 2013 to the sellers and Jambo former employees in consideration of the earn-out and any and all associated claims was $3,337,996 which equaled the amount the Company had accrued as of December 31, 2012. In addition, the Company purchased all 830,356 shares held by the sellers and the sellers' affiliates and advisor for $2,640,533.

World Web Network

In March 2012, the Company made an earn-out payment of €250,000 in accordance with the WWN earn-out agreement. In addition during the year ended December 31, 2012, the Company entered into a settlement agreement with the WWN sellers which reduced by €50,000 the final total earn out payment and this reduction of €50,000 ($64,500) was recorded as "Other Income" during 2012, resulting in an ending accrued balance of €200,000 ($259,280) at December 31, 2012. In July 2013 the Company entered into a settlement agreement with WWN sellers whereby a final earn-out payment related to WWN of $259,280 was made which equaled the amount accrued as of January 1, 2013.

Upfront

In June 2014, the Company acquired 100% of Legolas, an Israeli company that developed Programmatic software. The Company acquired Legolas to enter the Programmatic sales market. The total purchase price of $2,245,833 included a transaction bonus of $333,833 for pre-combination services paid upon the close of the transaction, cash consideration of $1,720,800, and additional "holdback" cash payment of $191,200. The holdback amount will be paid in 2015 and is recorded in the balance sheet within "Other Current Liabilities".

The Company acquired fixed assets of $101,129, acquired technology of $1,897,000, customer relationships of $33,000, and goodwill of $214,704. The intangible assets are valued using the income approach. Under the income approach, the technology was valued using the relief from royalty method and the customer relationship was valued using the multi-period excess earnings method. The goodwill recognized in the acquisition is deductible for tax purposes.

As part of this acquisition, several Legolas employees entered into employment agreements with the Company which included a bonus of $1,483,333 which is contingent upon employment. The amount of the bonus is earned over 15 months due and payable as follows: (i) 25% of the bonus shall be earned and become payable on the closing date, (ii) 25% of the bonus shall be earned and become payable on the date that is seven months and two weeks following the closing date provided the employee remains and is an employee in good standing of the Company through such date; and, (iii) 50% of the bonus shall be earned and becomes payable 15 months following the closing date. During 2014, the Company paid a bonus $370,833 and accrued an additional $326,451 which was recorded as compensation expense at December 31, 2014.

Goodwill

The change in the net carrying amount of goodwill was as follows:

	Goodwill
Goodwill at January 1, 2013	$ 60,193,393
Acquisitions/(Disposals)	-
Goodwill at December 31, 2013	60,193,393
Acquisition of Upfront	214,704
Goodwill at December 31, 2014	$ 60,408,097

NOTE 6 - INTANGIBLE ASSETS

The following is a summary of intangible assets as of December 31, 2014 and 2013:

	December 31, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark	$ 2,790,000	$ -	$ 2,790,000	$ 2,790,000	$ -	$ 2,790,000
Customer relationships	8,181,000	(8,153,500)	27,500	8,148,000	(8,148,000)	-
Capitalized software	12,714,619	(6,209,737)	6,504,882	7,285,316	(3,675,729)	3,609,587
Acquired technology	2,553,000	(730,900)	1,822,100	656,000	(410,000)	246,000
Total	$ 26,238,619	$ (15,094,137)	$ 11,144,482	$ 18,879,316	$ (12,233,729)	$ 6,645,587

During the years ended December 31, 2014 and 2013, additions of capitalized internal use software were $5,433,719 and $2,461,172, respectively. During the year ended December 31, 2014, $4,416 of fully amortized capitalized software was disposed. At December 31, 2014, the Company has incurred $574,710 of capitalizable software costs for projects that are not yet in service and have not begun amortization, and these amounts are included in the future estimated amortization expense table below.

Amortization expense for the years ended December 31, 2014, 2013, and 2012 related to these intangibles was $2,864,823, $2,620,854, and $2,181,025.

Estimated amortization expense for the next five years as of December 31, 2014 is as follows:

	Amortization
2015	$ 3,475,712
2016	2,698,456
2017	1,508,192
2018	482,422
2019	189,700
Total	$ 8,354,482

NOTE 7 – CREDIT FACILITY

In December 2012, the Company and its U.S. subsidiaries, Intercept Interactive Inc. and Jambo Media LLC, entered into a credit and term loan agreement (the “Credit Agreement”) with Comerica Bank and Silicon Valley Bank. Pursuant to the Credit Agreement, the banks provided the Company with a $27,500,000 term loan and a $17,500,000 revolving credit facility. The Company and its U.S. subsidiaries provided the banks with a security interest in substantially all of their assets and a pledge to ensure a valid first priority perfected lien over sixty-five percent (65%) of the equity interests in its controlled foreign subsidiaries. The term loan accrued interest at a base margin of 3.25%, 3.75% or 4.25%, depending on debt to EBITDA ratios, plus the greatest of (a) the prime rate for such day, (b) the Federal Funds effective rate in effect on such day, plus one percent (1.0%), and (c) the Daily Adjusting LIBOR rate plus one percent (1.0%) (The “Credit Agreement Interest Rate”). As of December 31, 2013, the Company had an outstanding balance on the credit agreement of $25,953,125.

In April 2014, the Company and its U.S. subsidiaries, Intercept Interactive Inc. and Jambo Media LLC, entered into an amended and restated revolving credit and term loan agreement (the "Amended Credit Agreement") with Comerica Bank, Silicon Valley Bank, and Suntrust Robinson Humphrey, Inc., which provided the Company with a $60,000,000 term loan, a $45,000,000 revolving credit facility, and a $3,000,000 swing line of credit. The term loan accrues interest at a base margin of 1.75%, 2.00%, 2.25%, or 2.50%, depending on debt to EBITDA ratios, plus the greatest of (a) the prime rate for such day, (b) the Federal Funds effective rate in effect on such day, plus one percent (1.0%), and (c) the Daily Adjusting LIBOR rate plus one percent (1.0%) (The "Amended Credit Agreement Interest Rate"). Per ASC 470, this amended credit agreement was recorded as a modification of debt and the remaining unamortized loan costs will be amortized over the life of the amended credit agreement. As of December 31, 2014, the Company had an outstanding balance on the amended credit agreement of $59,250,000.

At December 31, 2014, the Company submitted its compliance report timely and was in compliance with all of its debt financial covenants. The Company was in violation of its requirement to submit audited financial statements within 180 days of year end and received a waiver from the banks for this covenant. The term loan under the amended credit agreement is subject to a required principal reduction based upon a calculation of excess cash flow as defined by the terms of the agreement and payable within five days subsequent to the submittal of audited financial statements. At December 31, 2014, the Company triggered an excess cash repayment which the bank waived.

Scheduled principal payments for the next five years on the outstanding credit facility balance as of December 31, 2014 are as follows:

2015	$ 2,250,000
2016	3,000,000
2017	3,000,000
2018	3,000,000
2019	48,000,000
Total	$59,250,000

As of December 31, 2014 and 2013, loan fees of $1,884,492 and $469,167, respectively, are included in prepaid expenses and other current assets on the accompanying consolidated balance sheet, and are amortized on a straight-line basis over the life of the underlying credit facility. Amortization expense related to loan fees for the years ended December 31, 2014, 2013, and 2012 was $366,843, $156,388, and $126,207, respectively.

In March 2013, the Company entered into an interest rate swap agreement with Comerica Bank against the variability in future interest payments due on the term loan. The terms of the swap agreement, effectively converts the variable rate portion of the interest payments due on $13,750,000 of the term loan to a fixed rate of 0.63% through April 2016.

Effective July 2014, the Company entered into an interest rate swap agreement with Comerica Bank against the variability in future interest payments due on the term loan. The terms of the swap agreement, effectively converts the variable rate portion of the interest payments due on $44,718,750 of the term loan to a fixed rate of 1.16% through July 2017.

The Company is exposed to interest rate risk associated with the Company's floating rate debt and entered into the interest rate swaps in order to manage such risk (See Note 10).

For the years ended December 31, 2014, 2013, and 2012, interest expense totaled $1,960,976, $1,815,222, and $737,610, respectively.

NOTE 8 - STOCKHOLDERS' EQUITY

Common stock

The Company has 60,000,000 shares of common stock authorized with a par value of $0.0005 per share. As of December 31, 2014 and 2013, 1,384,262 and 1,115,783 shares of common stock are issued and outstanding, respectively. The voting, dividend and liquidation rights of common stockholders are subject to, and qualified by, the rights of preferred stockholders. Common stockholders are entitled to one vote for each share of common stock held on all matters brought before the stockholders. The common stockholders are entitled to receive dividends when, and if, declared by the Board of Directors, and subject to preferential dividend rights of preferred stockholders. Upon dissolution or liquidation of the Company, common stockholders will be entitled to receive all assets of the Company available for distribution to stockholders, subject to preferential rights of preferred stockholders.

Series A Preferred Stock

The Company is authorized to issue up to 40,000,000 shares of Series A Preferred, with a par value of $0.0005, of which 37,184,556 and 36,693,432 shares were issued and outstanding as of December 31, 2014 and 2013, respectively.

The holders of Series A Preferred have the following rights and preferences:

Voting
Each holder of the Series A Preferred shall be entitled to the number of votes equal to the number of shares of common stock into which the shares of Series A Preferred could be converted immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent and shall have voting rights and powers equal to the voting rights and powers of the common stock. The Series A Preferred Stock shall vote together with all other classes and series of stock of the Company (including the common stock) as a single class on all actions to be taken by the stockholders of the Company.

So long as any shares of the Series A Preferred remain outstanding, the holders of the Series A Preferred shall have the exclusive right, voting as a separate class, to elect, and to remove and replace after such election, five individuals to serve on the Board of Directors.

Conversion
Each share of Series A Preferred is convertible at any time, at the option of the holder, into such number of fully-paid shares of common stock determined by dividing the original issue price of $1.2725 for the Series A Preferred by the conversion price of $1.2726 for the Series A Preferred. The Series A Preferred shall automatically convert into common stock at the then effective conversion rate for such shares upon the earlier of (a) immediately prior to the closing of the sale of shares of common stock to the public at a price of a least $5.09 per share in a firm commitment under the Securities Act of 1933, as amended, resulting in at least $25,000,000 of proceeds, net of all underwriting discount and commissions, to the Company, or (b) the date specified by vote or written consent of the holders of a majority of the then outstanding shares of Series A Preferred, voting separately as a single class.

Dividends
Holders of the Series A Preferred are entitled to receive cumulative dividends at the rate of 8% per share per annum, payable when and as declared by the Board of Directors. Declared and unpaid dividends on the Series A Preferred shall be payable upon liquidation of the Company, conversion or redemption.

As of December 31, 2014 and 2013, cumulative undeclared cash dividends on Series A Preferred totaled $12,115,577 and $7,725,448.

In April 2014, the Company declared and paid a dividend to Series A Redeemable Convertible Preferred stockholders of $48,414,292 on an “as-converted” basis and to common stockholders of $1,470,380. The dividend paid to preferred stockholders that was declared and paid was not applied as payment of the cumulative undeclared cash dividend.

In December 2012, dividends were paid in the amount of $17,121,336.

Liquidation
In the event of liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of the Series A Preferred shall be entitled to receive an amount in cash equal to the sum of (a) the liquidation preference specified for each share of Series A Preferred and (b) all declared and unpaid dividends (if any) on such share of Series A Preferred. Assets available for distribution to the Company’s stockholders shall be paid to Series A Preferred prior to any payment made to the holders of common stock or any other class or series of stock ranking on liquidation junior to Series A Preferred.

If assets of the Company is insufficient to make payments in full to all holders of Series A Preferred of the preference amount, then such assets shall be distributed among the holders of Series A Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled if such amounts had been paid in full.

Redemption
At any time on or after March 19, 2013, the holders of a majority of the then outstanding Series A Preferred, voting separately as a single class, may require the Company to redeem all of the outstanding shares of Series A Preferred. If a Redemption Request is made, the redemption will occur, subject to funds that are legally available, in two equal annual installments (each, a “Redemption Date”), with the first installment occurring within 120 days of the Redemption Request. The Company shall redeem the shares of Series A Preferred by paying in cash an amount per share equal to the redemption price for such share of Series A Preferred plus any accrued but unpaid dividend. If the Company does not have sufficient funds legally available to redeem on any Redemption Date, a pro rata portion shall be redeemed based on the amounts that are legally available, and the Company shall redeem the remaining amounts as soon as practicable.

NOTE 9 - EQUITY INCENTIVE PLAN

On September 28, 2011, the Board of Directors adopted and the stockholders approved the Amended and Restated 2008 Equity Incentive Plan (as amended and restated, the “Plan”). The Plan authorizes the granting of stock options and restricted stock to provide incentives to its employees, directors, and officers. The maximum number of shares of stock reserved and available for issuance under the Plan shall be 12,394,850 shares. At December 31, 2014 and 2013, there were 439,510 and 1,673,825 shares of stock available for future grant under the Plan, respectively. On February 11, 2015, the Board of Directors amended and restated the Plan to increase the maximum number of shares of stock reserved and available for issuance to 12,894,850.

Stock Options

The exercise price of a stock option shall not be less than the fair market value of the stock on the date of grant. In the case of an Incentive Stock Option that is granted to a 10% owner, the exercise price per share for the stock covered by such Incentive Stock Option shall be not less than 110% of the fair market value on the grant date. Incentive Stock Options expire five years from the date of the grant for employees owning 10% or more of the company’s stock and ten years from the date of the grant for all other employees. Non-Qualified Stock Options expire ten years from the date of the grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Pricing Model using the weighted average assumptions noted in the following grants table:

	December 31,		
	2014	2013	2012
Expected Volatility	48.00%	51.00%	51.00%
Expected Dividends	-	-	-
Expected Term (in Years)	5.5	5.5	5.5
Risk-free Interest Rate	1.38%	1.85%	1.61%

Calculating stock-based compensation requires the input of highly subjective assumptions, including the expected term of the stock-based awards and stock price volatility. The Company estimates the volatility of the common stock on the date of grant based on the historic volatility of comparable companies in the industry. The expected dividends are based on the management's expectations for dividend issuance in the future. The Company estimates the expected life of stock options granted based on the simplified method, which the Company believes, is representative of future behavior. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Compensation costs associated with the stock options is classified in each of the expense categories as follows:

	Year Ended December 31,		
	2014	2013	2012
General and Administrative	$ 1,082,940	$ 821,627	$ 173,884
Research & Development	210,370	101,613	70,664
Sales and Marketing	1,044,681	417,267	263,903
	$ 2,337,991	$ 1,340,507	$ 508,451

The following is a summary of option activity for the years ended December 31, 2014, 2013 and 2012:

	Total Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at January 1, 2012	10,246,358	$ 4.01	
Granted	1,969,952	3.53	
Exercised	(688,270)	1.28	
Forfeited	(1,157,936)	2.73	
Expired	(596,039)	1.38	
Outstanding at December 31, 2012	9,774,065	$ 4.41	6.61
Exercisable at December 31, 2012	7,194,336	$ 4.82	5.63
Outstanding at January 1, 2013	9,774,065	$ 4.41	
Granted	1,343,125	3.19	
Exercised	(379,469)	2.76	
Forfeited	(329,679)	3.96	
Expired	(802,798)	1.37	
Outstanding at December 31, 2013	9,605,244	$ 4.56	5.92
Exercisable at December 31, 2013	7,083,890	$ 5.02	4.84
Outstanding at January 1, 2014	9,605,244	$ 4.56	
Granted	3,059,369	2.86	
Exercised	(258,282)	1.66	
Forfeited	(1,167,588)	3.41	
Expired	(674,950)	2.32	
Outstanding at December 31, 2014	10,563,793	$ 4.43	5.96
Exercisable at December 31, 2014	6,853,061	$ 5.24	4.11

At December 31, 2014, there were 6,853,061 vested and exercisable options with a weighted average exercise price of $5.24 and a weighted average remaining contractual term of 4.11 years. At December 31, 2013, there were 7,083,890 vested and exercisable options with a weighted average exercise price of $5.02 and a weighted average remaining contractual term of 4.84 years. At December 31, 2012, there were 7,194,335 vested and exercisable options with a weighted average exercise price of $4.82 and a weighted average remaining contractual term of 5.63 years.

The weighted-average grant date fair value of options issued during 2014, 2013 and 2012 was $2.01, $1.52 and $1.45, respectively. The total fair value of shares under stock options that vested during the years ended December 31, 2014, 2013, and 2012 was $1,539,120, $959,705, and $248,559. The total unrecognized stock compensation cost at December 31, 2014, 2013, and 2012 was $5,375,659, $3,346,081, and $2,645,091, respectively. The total intrinsic value of shares under stock options that exercised during the years ended December 31, 2014, 2013, and 2012 was $330,228, $158,820 and $1,397,817, respectively.

To correct a prior disclosure omission, at January 1, 2012, 4,955,204 options that were previously disclosed as unvested were reclassified to exercisable options.

A summary of the status of the Company's non-vested options at December 31, 2014 and December 31, 2013 and changes during the year then ended is presented below:

	Unvested Options Outstanding	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2012	2,632,379	$ 0.56
Granted	1,969,952	1.45
Forfeited	(1,157,936)	0.72
Vested	(864,666)	0.36
Outstanding at January 1, 2013	2,579,729	$ 0.42
Granted	1,343,125	1.52
Forfeited	(329,679)	0.98
Vested	(1,071,821)	1.33
Outstanding at January 1, 2014	2,521,354	$ 1.44
Granted	3,065,622	2.01
Forfeited	(855,194)	1.36
Vested	(1,021,050)	1.51
Outstanding at December 31, 2014	3,710,732	1.91

Option Modification

In May and July 2014, the Company modified two issuances of options to an employee, reducing the exercise price on 584,446 incentive stock options by $1.30 per option and allowing the employee to exercise shares on a cashless basis in exchange for a forfeiture of a portion of their outstanding options.

As a result of the modification, the Company recorded stock option expense of $539,463 was recorded during the year ended December 31, 2014 using the Black-Scholes option pricing model with the following assumptions: Stock price of $2.86, Exercise prices of $1.88 and $0.24, Volatility of 48.00%, Expected Life of 0.375 years and a Risk-free rate of 0.03%.

In addition, the Company paid payroll taxes on behalf of the employee of $561,588 in exchange for a further reduction of the employee's outstanding options and incurred an additional $156,935 of compensation expenses in connection with liability accounting treatment at the time of exercise. The Company issued 156,799 shares of common stock upon exercise of these options.

Restricted Stock

1,292,000 shares of Series A Preferred Stock were granted to two employees on March 21, 2008. At the time of issuance, 1,033,600 shares of the total were restricted stock subject to forfeiture to the stockholders. One-third of these shares became vested when the stockholders completed twelve months of continuous service beginning on March 21, 2008. In 2009, 332,000 shares were forfeited and subsequently reissued to another employee. The remaining shares become vested ratably over a 36-month period when the stockholders complete each month of continuous service thereafter. The fair value of restricted shares is being recorded as stock based compensation expense ratably over the vesting period. As of December 31, 2012, there was no remaining balance of unrecognized compensation cost.

The holders of the restricted shares are entitled to the same voting rights as provided for each unrestricted share of Series A Preferred Stock. Upon a change in control, as defined in the Share Transfer Agreements, all shares become fully vested. All shares are fully vested at December 31, 2012.

In December 2014, the Company granted 17,482 shares of common stock to an executive that vest monthly through May 2015. During the year ended December 31, 2014, the Company expensed $31,493 in connection with this restricted stock grant.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company applies ASC 820 "*Fair Value Measurements and Disclosures*", for financial assets and liabilities that are required to be measured at fair value, and non-financial assets and liabilities that are not required to be measured at fair value, on a recurring basis.

ASC 820 provides that the measurement of fair value requires the use of techniques based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The inputs create the following fair value hierarchy:

Level 1 – Observable inputs based on unadjusted quoted prices for identical instruments in active markets.
Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
Level 3 – Unobservable inputs for which there is little or no market data, which require the Company to develop its own assumptions.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Carrying value of cash and cash equivalents, accounts payable and accrued expenses approximates fair value due to the relatively short maturity of these instruments. As of December 31, 2014 and 2013, the Company's cash and cash equivalents of $6,528,069 and $18,016,527 were classified as Level 1.

Fair Value Measurement of the Liability for Interest Rate Swap Agreements

The Comerica interest rate swap has a fair value of $48,858 as of December 31, 2013. From March 2013 to December 31, 2013 (the period between the initiation of the swap and year-end), the swap agreement was not designated as a hedge.

During 2014, the Company entered into an additional interest rate swap (Note 7). The Company did not designate this new swap agreement as a hedge. The Company recorded a liability of $288,654 at December 31, 2014 in other long term liabilities relating to the interest rate swap fair value for the two existing interest rate swap agreements. The Company's fair value measurements for the interest rate swap are designated as Level 2.

Fair Value Measurement of the Liability for Series A Preferred Stock Warrants

Under ASC 820 the Company's liability for Series A Preferred Stock Warrants requires specific disclosure. The Company's fair value measurements for the stock warrants liability are designated as Level 3.

The Company applied a Black-Scholes valuation methodology to determine the fair value of the stock warrants liability. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

	Year Ended December 31, 2014	Year Ended December 31, 2013
Liabilities:		
Level 3 Balance at beginning of period	$ 1,642,898	$ 950,188
Level 3 Liabilities acquired	-	-
Level 3 Liabilities settled	(876,951)	-
Total (gains) and unrealized losses included in earnings	(765,947)	692,710
Level 3 Balance at end of the Year	$ -	$ 1,642,898

NOTE 11 – SERIES A PREFERRED STOCK WARRANTS

On March 19, 2008, the Company issued warrants to purchase up to 491,124 shares of Series A Preferred Stock at an exercise price of $1.27 per share. The warrants were fully vested and exercisable at the option of the holder upon issuance and expire in ten years from such date. On April 9, 2014, these warrants were exercised and the Company received a payment of $625,000.

ASC 480-10-25 clarifies that freestanding warrants and other similar instruments on shares that are redeemable (either puttable or mandatorily redeemable) should be accounted for as liabilities, regardless of the timing of the redemption feature or price, even though the underlying shares may be classified as equity. The original value at issuance was recorded as a liability and as a long-term debt discount on the accompanying consolidated balance sheet.

The warrants were valued at issuance at $187,504. As of December 31, 2013 they were marked to market and valued at $1,642,898 using the Black-Scholes option pricing model with the following assumptions: Stock price of $6.16, Exercise price of $1.27, Volatility of 52.32%, Expected Life of 4.2 years and a Risk-free rate of 1.58%.

Prior to the exercise, on April 9, 2014, these warrants were marked to market and valued at $876,951 using the Black-Scholes option pricing model with the following assumptions: Stock price of $3.86, Exercise price of $1.27, Volatility of 48.00%, Expected Life of 3.9 years and a Risk-free rate of 1.25% upon exercise. The value of the warrants at April 9, 2014 and the exercise price of $625,000 was recorded as a contribution to preferred stock. The decrease in the warrant valuation from December 31, 2013 to April 9, 2014 of $765,947 was recorded as an offset to other operating expense.

NOTE 12 – INCOME TAXES

The components of the provision for income taxes and as follows for the years ended December 31, 2014 and 2013:

	2014	2013	2012
Current Income Tax Expense:			
Federal	$ 3,236,322	$ 9,682,702	$ 7,726,971
State	1,226,182	2,540,398	1,486,074
Foreign	102,322	24,917	37,327
Total Current	$ 4,564,826	$ 12,248,017	$ 9,250,372
Deferred Income Tax Expense:			
Federal	$ 1,007,922	$ (228,037)	$ 133,412
State	91,383	(164,472)	106,717
Foreign	-	-	(593)
Total Deferred	$ 1,099,305	$ (392,509)	$ 239,536
Total Income Tax Provision	$ 5,664,131	$ 11,855,508	$ 9,489,908

The following is a summary of the Company's U.S. and non-U.S. net income (loss) before provision for income taxes:

	Years Ended December 31,		
	2014	2013	2012
U.S.	$ 15,203,979	$ 29,075,830	$ 22,442,946
Foreign	(2,541,394)	(1,275,621)	(3,276,933)
Net Income before provision for income taxes	$ 12,662,585	$ 27,800,209	$ 19,166,013

The following table reconciles the difference between the statutory federal income tax rate and the effective rate for the Company for the period ended December 31,

	2014	2013	2012
Statutory Rate	35.0%	35.0%	35.0%
State & Local Taxes	7.1%	5.5%	5.6%
Permanent Differences	4.5%	4.9%	4.2%
Prior Year True-up Adjustments	0.1%	(0.3)%	(1.1)%
Effect of Foreign rates Different Than Statutory	3.9%	(0.5)%	1.5%
ASC 740-10 Reserve	(6.9)%	(2.4)%	1.9%
R&D Credits & Other Refunds	(3.2)%	(1.0)%	(2.4)%
Valuation Allowance	4.4%	1.4%	4.9%
Other	(0.2)%	0.1%	0.0%
Effective Rate	44.7%	42.7%	49.6%

The tax effects of temporary differences that give rise to significant portions of the net deferred tax assets at December 31, 2014 and 2013 are presented below:

	2014			2013		
	Asset	Liability	Net	Asset	Liability	Net
Gross Allowance for Bad Debt	$ 239,861	$ -	$ 239,861	$ 299,442	$ -	$ 299,442
Accrued Expense – Other	949,133	-	949,133	95,229	-	95,229
Amortization	-	(2,397,829)	(2,397,829)	-	(1,687,510)	(1,687,510)
Deferred Rent	311,624	-	311,624	342,468	-	342,468
Goodwill	-	(616,731)	(616,731)	-	(582,651)	(582,651)
Stock Options	162,491	-	162,491	122,649	-	122,649
Depreciation	-	(1,072,576)	(1,072,576)	-	(985,603)	(985,603)
Net Operating Losses	1,519,047	-	1,519,047	1,155,361	-	1,155,361
R&D Tax Credits	122,070	-	122,070	33,768	-	33,768
Acquisition Expenses	-	-	-	643,145	-	643,145
Deferred Benefit Contingencies	47,103	-	47,103	569,956	-	569,956
Subtotal	3,351,329	(4,087,136)	(735,807)	3,262,018	(3,255,764)	6,254
Less Valuation Allowance	(1,568,200)	-	(1,568,200)	(1,211,031)	-	(1,211,031)
Total	$ 1,783,129	$ (4,087,136)	$ (2,304,007)	$ 2,050,987	$ (3,255,764)	$ (1,204,777)

In assessing the reliability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax asset will be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers projected future taxable income in making this assessment. Based primarily upon actual results and projections for future taxable income over the periods in which the temporary differences become deductible based on available tax planning strategies, management presently believes it is more likely than not that the company will not realize all the benefits of these deductible differences, and, accordingly, has recorded a valuation allowance at December 31, 2014 and 2013.

The valuation allowance relates to the foreign subsidiaries in Germany and the United Kingdom due to the uncertainty of these subsidiaries generating sufficient taxable income to utilize its net operating loss carry forwards and benefit of timing differences. The amount of the net deferred tax assets considered realizable, however, could be reduced in the near term if actual future income or income tax rates are lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable or deductible temporary differences.

The Company has a net operating loss carry forward for foreign income tax purposes of $7,184,268 as of December 31, 2014. The foreign net operating losses can be carried forward without limitation in Germany and United Kingdom. A valuation allowance has been recorded against certain foreign net operating losses for which the Company believes it is not more likely than not that the net operating losses will be utilized.

As of December 31, 2014 and 2013, the Company does not have a U.S. income tax provision for undistributed earnings of foreign subsidiaries. There are currently no specific plans or intentions to repatriate funds from the foreign subsidiaries; however, the Company may do so in the future if a dividend can be remitted with no material tax impact. Such earnings are considered to be permanently reinvested. Estimating the tax liability that would result if these earnings were repatriated is not practicable at this time.

A reconciliation of the beginning and ending amount of unrecognized tax liability for the years ended December 31, 2014 and 2013 is a follows:

Unrecognized tax liability balance at January 1, 2013	$ 2,383,105
Add:	
Additions based on tax positions related to the current year	477,724
Adjustments for tax positions of prior years	25,331
Deduct:	
Reductions as a result of lapse of applicable statute of limitations	(1,011,674)
Reductions for tax positions of prior years	(126,197)
Unrecognized tax liability balance at December 31, 2013	$ 1,748,289
Add:	
Additions based on tax positions related to the current year	60,125
Adjustments for tax positions of prior years	44,705
Deduct:	
Reductions for tax positions of prior years	(1,406,370)
Unrecognized tax liability balance at December 31, 2014	$ 446,749

The total amount of unrecognized tax benefits if ultimately recognized, will decrease the Company’s annual effective tax rate.

The Company’s policy is to record interest and penalties associated with the underpayment of income taxes within Provision for income taxes in the Consolidated Statement of Income. The Company recorded a reversal of $98,558 in gross interest and penalties expense in 2014, $52,802 in 2013, and $217,422 in 2012. The Company had $76,877, $175,435, and $228,237 accrued for the payment of interest and penalties as of December 31, 2014, 2013, and 2012 respectively. It is reasonably possible that in the next twelve months, because of changes in facts and circumstances, the unrecognized tax benefits for tax positions taken relative to previously filed tax returns may increase.

The Company’s uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. These include the 2010 through 2014 tax years for federal and various state jurisdictions. The Company is currently under examination for the IRS for tax years 2010 through 2012, with an extension granted to the IRS for tax years 2010 and 2011 through the end of their investigation. Facts and circumstances could arise in the twelve-month period following December 31, 2014 that could cause the Company to reduce the liability for unrecognized tax positions, including, but not limited to settlement of income tax positions or expiration of the statutes of limitations.

NOTE 13 - RETIREMENT PLAN

The Company has a 401k and profit sharing plan (“401k Plan”), available to all U.S. employees who meet the prescribed age and service requirements as defined in the plan document. Under the terms of the 401k Plan, participating employees may contribute a percentage of their compensation, up to the maximum amount allowable by law. There were no employer contributions to the 401k Plan during the years ended December 31, 2014, 2013, and 2012. In 2012, the Company discovered its failure to make prescribed contributions to the 401K Plan and was required to reserve an estimated liability of $350,000 to remedy the 401K Plan compliance failure. In 2013, $296,913 was paid and the remaining liability was reversed.

Subsequent to the year ended December 31, 2014, the Company has initiated an employer match to employee contributions that will range from 0% to 3%, depending on future operations and statutory regulations.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

The Company is subject to credit risk concentrations principally from cash and cash equivalents and accounts receivable. The Company’s management believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in major financial institutions. Accounts receivable are due from large commercial organizations located in the United States, Canada and Europe. Accounts receivable are generally due within 30 days and no collateral is required. Management routinely evaluates the collectability of accounts receivable and maintains an allowance for doubtful accounts. The Company does not have any customer that exceeded 10% of the total revenue or 10% of the total accounts receivable as of and for the years ended December 31, 2014, 2013, and 2012.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation

There are no legal proceedings to which the Company is a party that are reasonably expected to be material to the Company’s operations or financial condition. From time to time, the Company may be involved in other disputes or regulatory inquiries that arise in the ordinary course of business. The number and significance of these disputes and inquiries may increase as the Company’s business expands. Any claims or regulatory actions against the Company, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time, and result in the diversion of significant operational resources.

Leases

The Company leases office spaces for its headquarters and other locations under the terms of non-cancelable operating leases expiring on various dates through 2021. These lease agreements contain escalation clauses and provisions for the payment of taxes and operating expenses.

A schedule of the future minimum lease payments required under these non-cancelable operating leases at December 31, 2014 is as follows:

2015	$ 3,288,895
2016	2,986,398
2017	2,909,792
2018	2,889,727
2019	636,931
Thereafter	1,136,124
Total	$ 13,847,867

In accordance with US GAAP, the Company is recognizing the total cost of its operating leases ratably over the lease period. The cumulative difference between rent paid and that expensed is reflected as deferred rent.

Rent expense totaled $3,374,332, $2,346,942, and $1,596,607 for the years ended December 31, 2014, 2013, and 2012, respectively.

As of December 31, 2014, 2013, and 2012, the Company had $1,299,910, $1,362,710, and $1,793,256, respectively, in outstanding letters of credit to secure its office space leases. The letters of credit are scheduled to mature upon expiration of the leases between 2015 and 2019.

In April 2013, the Company moved into a new leased office space for it's headquarters located at 340 Madison Ave, New York. The leased location is a sublease with Sun Microsystems through 2019 and is included in the future commitments table above. The previous New York headquarters lease located at 101 Park Ave expired during April 2013.

In February 2014, the Company entered into a new lease for additional office space at 340 Madison Ave, New York, NY. The new lease ends on October 2021 and the future payment obligations are included in the commitments table above. The Company determined that the leased space has no future economic benefit as well as being commercially available and is actively seeking a sub-lessee. Through the date of issuance of these financial statements the Company has not entered into an agreement with a sub-lessee. In accordance with ASC 420-10 the Company recorded a cease use lease liability of $1,587,768 at December 31, 2014 which is included in other current and other long term liabilities, representing an estimate of the amount of future net cash flows relating to this new lease. The lease restructuring charge included in operating expenses for this accrual was $1,407,618 after adjusting for the disposal of leasehold improvements of $93,200 and deferred rent of $273,350.

Employee Bonus

In April 2014, the Company declared a one-time dividend equivalent bonus payable to active employees who have an option grant with a vesting reference date on or before April 17, 2014. Payments are made on scheduled payment dates through April 2018 to active employees on this date. During the year ended December 31, 2014, the Company paid $2,209,258 of the dividend equivalent bonus which was recorded as expense.

Future committed payments of these bonuses are as follows at December 31,:

2015	$	646,356
2016		567,973
2017		236,330
2018		15,546
2019		-
Total	$	1,466,205

NOTE 16 – SUBSEQUENT EVENTS

In July 2015, the Company acquired Spark Flow LLC, owner of a rich media platform, in exchange for cash consideration of $3,000,000 with an additional $3,000,000 of earn-out payments for post-combination services to be made over a two year period subsequent to closing upon the achievement of certain milestones. The total purchase price will be allocated to the underlying assets based on their estimated fair values and goodwill.

In connection with this acquisition, the Company entered into an outsourced development agreement and a reseller agreement with entities controlled by the founders of Spark Flow LLC. The outsourced development agreement requires monthly payments of $60,000 per month, a total of $1,000,000 of bonus payments payable over an eighteen month period after the close of the acquisition, as well as 200,000 warrants that will be earned over a four year life, in exchange for service connected with the future design and development of the rich media platform. The reseller agreement provides the reseller with the ability to sell subscriptions to the rich media platform for a five year period in certain exclusive territories, and the Company will receive 40% of the revenues generated by the reseller. The outsourced development and reseller agreements are cancelable which may accelerate the timing of the payment of the earn-out and bonus payments.

Subsequent events have been evaluated through September 21, 2015, which is the date the consolidated financial statements were issued.

NOTE 17 – SUBSEQUENT EVENTS (UNAUDITED)

On November 30, 2015, the Company was acquired by Perion Network Ltd. for a total purchase price of $133,329,000 in cash, in addition to working capital adjustments in the amount of $1,000,000, consisting of approximately $90,186,000 paid in cash, $16,000,000 retained as a holdback to cover potential claims until May 31, 2017, $3,000,000 which will be paid in installments over a period of 18 months, an amount of $20,000,000 deferred consideration payment, bearing interest, due on November 30, 2020, and working capital adjustments in the amount of $3,300,000 which will be paid in 2016. The fair values of the deferred liabilities to be recorded in purchase accounting are in the amount of $43,143,000. In addition, the Company's term loan with an outstanding principal balance of $57,000,000 was repaid and the Company entered into a new credit agreement with the existing lenders, SunTrust Robinson Humphreys, Silicon Valley Bank and Comerica Bank, for $50,000,000. The new credit agreement expires on November 29, 2019, interest on the agreement is at LIBOR plus 5.50% or the prime rate plus 4.50%, and is collateralized by substantially all of the Company’s assets. At November 30, 2015, $50,000,000 was outstanding under the new credit facility.

Scheduled principal payments on the new credit agreement are as follows:

2016	$ 2,500,000
2017	3,750,000
2018	5,000,000
2019	38,750,000
Total	$ 50,000,000

Exhibit 99.2

CONSOLIDATED FINANCIAL STATEMENTS

INTERACTIVE HOLDING CORP.

JUNE 30, 2015

INTERACTIVE HOLDING CORP.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
JUNE 30, 2015

CONTENTS

INTERACTIVE HOLDING CORP.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 12,860,090	$ 6,528,069
Accounts receivable, net of allowance of $619,507 and $649,340 at June 30, 2015 and December 31, 2014, respectively	44,027,587	54,606,935
Prepaid expenses and other current assets	4,836,584	4,027,996
Current deferred tax asset	349,615	349,615
Prepaid income taxes	764,576	-
Total current assets	62,838,452	65,512,615
Property and equipment, net	2,515,517	2,949,362
Other assets, net	163,892	162,892
Intangible assets, net	12,024,285	11,144,482
Goodwill	60,408,097	60,408,097
Total assets	**$ 137,950,243**	**$ 140,177,448**
LIABILITIES, CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 8,905,861	$ 14,059,537
Accrued expenses	17,675,622	20,291,256
Deferred revenue	1,325,286	1,493,957
Debt, current portion	3,000,000	2,250,000
Income taxes payable	-	827,262
Other current liabilities	2,582,946	2,482,116
Total current liabilities	33,489,715	41,404,128
Debt, long term portion	60,500,000	57,000,000
Other long term liabilities	949,213	890,327
Other long term income tax liability	523,626	523,626
Long term deferred tax liability	2,653,573	2,653,622
Total liabilities	98,116,127	102,471,703
Commitments and Contingencies (Note 15)		
Convertible Preferred Stock		
Series A redeemable convertible preferred stock; $0.0005 par value; 40,000,000 shares authorized; 37,184,556 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively; aggregate liquidation preference of $61,813,712 and $59,436,262, respectively	61,813,712	59,436,262
Stockholders' deficit		
Common stock; par value of $0.0005 per share; 60,000,000 shares authorized; 1,469,021 and 1,384,262 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	734	692
Additional paid-in capital	-	-
Accumulated deficit	(23,241,181)	(22,346,087)
Accumulated other comprehensive income	1,260,851	614,878
Total stockholders' deficit	(21,979,596)	(21,730,517)
Total liabilities, convertible preferred stock, and stockholders' deficit	**$ 137,950,243**	**$ 140,177,448**

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

INTERACTIVE HOLDING CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30,
(unaudited)

	2015	2014
Revenue	$ 67,765,913	$ 76,055,700
Cost of revenue	31,754,048	34,340,879
Gross profit	36,011,865	41,714,821
Operating expenses		
General and administrative	9,478,813	9,032,170
Research & development	4,202,002	6,460,064
Sales and marketing	17,652,264	19,627,884
Other operating expense	761,241	1,540,536
Total operating expenses	32,094,321	36,660,652
Income from operations	3,917,544	5,054,168
Interest expense, net	1,053,488	914,011
Other expense (income), net	1,058,672	(581,848)
Total other expense, net	2,112,160	332,163
Income before provision for income taxes	1,805,384	4,722,006
Provision for income taxes	1,404,250	2,889,904
Net income	**$ 401,134**	**$ 1,832,101**
Comprehensive income		
Foreign currency translation adjustment	645,973	15,769
Comprehensive income	**$ 1,047,107**	**$ 1,847,870**

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

INTERACTIVE HOLDING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY/(DEFICIT)
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(unaudited)

	Series A Preferred Stock		Common Stock					
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-in Capital**	**Accumulated Earnings (Deficit)**	**Accumulated Other Comprehensive Income/(Loss)**	**Total Stockholders' Equity/(Deficit)**
Balance as of January 1, 2014	36,693,432	$ 54,421,134	1,115,783	$ 558	$ 2,386,168	$ 19,356,826	$ (181,596)	$ 21,561,956
Stock option expense					1,251,570			1,251,570
Stock issuance through warrant exercise	491,124	1,501,950						-
Stock issuance through options exercised			38,947	20	63,140			63,160
Stock repurchase								-
Dividends paid					(3,700,878)	(46,183,794)		(49,884,672)
Accretion to redemption value		2,195,065				(2,195,065)		(2,195,065)
Translation adjustment							15,769	15,769
Net income						1,832,101		1,832,101
Balance as of June 30, 2014	37,184,556	$ 58,118,149	1,154,730	$ 578	$ -	$ (27,189,932)	$ (165,827)	$ (27,355,181)
Balance as of January 1, 2015	37,184,556	$ 59,436,262	1,384,262	$ 692	$ -	$ (22,346,087)	$ 614,878	$ (21,730,517)
Stock option expense					1,077,008			1,077,008
Cashless exercise of stock option			43,302	22	(81,353)			(81,331)
Stock issuance through options exercised			41,892	21	89,141			89,162
Vesting of restricted stock			7,285	3	18,501			18,504
Repurchase of common stock			(7,720)	(4)	(22,075)			(22,079)
Accretion to redemption value		2,377,450			(1,081,222)	(1,296,228)		(2,377,450)
Translation adjustment							645,973	645,973
Net income						401,134		401,134
Balance as of June 30, 2015	**37,184,556**	**$ 61,813,712**	**1,469,021**	**$ 734**	**$ 0**	**$ (23,241,181)**	**$ 1,260,851**	**$ (21,979,596)**

INTERACTIVE HOLDING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30,
(unaudited)

	2015	2014
OPERATING ACTIVITIES		
Net Income	$ 401,134	$ 1,832,101
Adjustments to reconcile net Income to net cash provided by operations:		
Amortization	2,035,627	1,167,076
Stock-based compensation	1,095,513	1,251,570
Depreciation	583,976	566,459
Recovery of bad debt	(12,154)	(539,575)
Amortization of loan fees	221,224	123,880
Mark-to-Market on SWAP	117,696	52,071
Mark-to-Market on warrant liability	-	(765,947)
Change in net foreign currency loss	861,575	567,076
Changes in operating assets and liabilities:		
Accounts receivable	10,071,515	14,593,471
Prepaid expenses and other assets	(1,201,245)	(1,504,367)
Prepaid income taxes	(764,576)	(2,067,016)
Accounts payable and accrued expenses	(7,159,524)	(7,994,126)
Deferred revenue	(156,193)	(842,855)
Due to stockholder	-	(363,552)
Other liabilities	42,020	1,074,185
Income taxes payable	(822,116)	(345,631)
Net cash provided by Operating Activities	**5,314,470**	**6,804,820**
INVESTING ACTIVITIES		
Capitalization of software development costs	(2,915,429)	(2,617,682)
Business acquisitions, net of cash acquired	-	(2,245,834)
Purchases of property and equipment	(162,655)	(640,981)
Net cash used in Investing Activities	**(3,078,084)**	**(5,504,497)**
FINANCING ACTIVITIES		
Borrowings from bank	8,000,000	67,000,000
Debt repayment	(3,750,000)	(25,953,125)
Loan acquisition costs	-	(1,782,168)
Proceeds from exercise of warrants	-	625,000
Proceeds from exercise of stock options	89,162	63,160
Taxes paid in connection with cashless exercise of stock options	(81,331)	-
Repurchase of stock	(22,079)	-
Dividends paid	-	(49,884,672)
Net cash provided by (used in) Financing Activities	**4,235,752**	**(9,931,805)**
Effect of exchange rate changes on cash and cash equivalents	(140,117)	(9,137)
Net cash increase (decrease) for the period	6,332,021	(8,640,618)
Cash at beginning of the period	6,528,069	18,016,527
Cash at end of the period	**$ 12,860,090**	**$ 9,375,909**
Non-Cash Financing Activity		
Accrual of business acquisition - holdback payment	$ -	$ 191,200

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Interactive Holding Corp. ("IHC", the "Company"), together with its subsidiaries is a digital advertising company. The Company was incorporated in the State of Delaware on February 21, 2008. Following its incorporation, IHC formed a wholly owned subsidiary, IHC Acquisition Corp, to merge with Intercept Interactive Inc. (dba Undertone), a privately held entity incorporated in the State of New York on March 5, 2001.

On March 19, 2008, Intercept Interactive, Inc. merged with IHC Acquisition Corp.

As of June 30, 2015, the Company's subsidiaries consist of World Web Network (WWN), Jambo Media LLC (Jambo), and U.U.U.I Undertone Israel Ltd. (Upfront).

Liquidity

At any time after March 19, 2013, the holders of a majority of the Company's Series A Preferred Stock ("Series A Preferred") can request a redemption ("Redemption Request") of their Series A Preferred stock. The amount redeemable is limited to funds that are determined to be legally available (See Note 8). If in the future such a Redemption Request is made, it could have a significant adverse impact on the Company's liquidity, operations, and financial condition, and may impact its ability to continue as a going concern. There have been no redemption requests subsequent to March 19, 2013 and through the issuance date of the consolidated financial statements.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles, or GAAP, for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for the interim period presented have been included. Operating results for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015, for any future interim period, or for any future year.

The condensed consolidated balance sheet at December 31, 2014 has been derived from the audited financial statements at that date, but does not include all of the disclosures required by GAAP. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2014.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates.

Significant estimates inherent in the preparation of the accompanying consolidated financial statements include allowance for doubtful accounts, useful lives of property and equipment and intangible assets, impairment analysis of goodwill and intangible assets, realizability of deferred tax assets, allocation of the purchase price relating to acquisitions in accordance with acquisition accounting, and fair value of stock options and warrants.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments with original maturities of three months or less at the time of purchase. The carrying value of these investments approximates fair value. At times, cash in banks may exceed federally insured limits.

Accounts receivable and allowance for doubtful accounts

Trade accounts receivables are stated at realizable value, net of an allowance for doubtful accounts. The Company extends credit to customers based on an evaluation of their financial condition and other factors and generally does not require collateral or other security to support accounts receivable. The Company performs ongoing credit evaluations of its customers, evaluating its outstanding accounts receivable and establishes an allowance for doubtful accounts based on information available on their credit condition, current aging, and historical experience. These allowances are re-evaluated and adjusted periodically as additional information is available.

Loan fees

Costs incurred in connection with the issuance of debt were included in other assets and amortized to other expense over the related loan term on a straight line method.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight line method over the estimated useful lives of the assets, as follows:

Computer equipment	3 years
Furniture and fixtures	5 years
Vehicle	3 years
Leasehold improvements	Shorter of useful life or lease term

Internal use software

Capitalization of software development costs begins at the point when the preliminary project stage is completed, management commits to funding the project, it is probable that the project will be completed and the software will be used as intended. For the six months ended June 30, 2015 and 2014, $1,425,800 and $1,303,139, respectively, of internal payroll and related costs were capitalized. In addition, $1,489,629 and $1,314,542, respectively, of outside consultant and contractor fees were capitalized to internal use software projects. These costs are amortized on a straight-line basis over a three-year estimated useful life. For the six months ended June 30, 2015 and 2014, $1,747,424 and $1,101,476, respectively, was recorded as amortization expense.

Business combinations and intangible assets including goodwill

The company accounts for business combinations using the acquisition method in accordance with Accounting Standards Codification ("ASC") 805, "*Business Combinations*." The identifiable assets acquired and the liabilities assumed are recorded at acquisition date fair values. Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. Identifiable intangible assets with finite lives are amortized over their useful lives. Amortization of completed technology is recorded in cost of revenue. Amortization of all other intangible assets is recorded in selling, general and administrative expense. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Intangible assets consist of trademark, customer relationships, acquired trade name, non-competition agreements and publisher relationships. Customer relationships, publisher relationships and non-competition agreements are amortized on a straight-line basis over their estimated useful life of three years. The trademark asset is an indefinite-lived intangible that is not subject to amortization and is evaluated at least annually for impairment. The acquired technology purchased in connection with the Jambo and Upfront acquisitions is amortized over its estimated useful life of five years.

Impairment

The Company tests intangibles and goodwill for impairment in accordance with the provisions of ASC 350, "*Intangibles - Goodwill and Other*". Long-lived assets, other than goodwill and the trademark asset, are tested for impairment when conditions indicate an impairment may have occurred based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Goodwill and the trademark asset are tested at least annually for impairment, in the fourth quarter, or sooner when circumstances indicate an impairment may exist, using a fair-value approach at the reporting unit level.

Revenue recognition

The Company recognizes revenue in accordance with ASC 605, "*Revenue Recognition*." Accordingly, the Company recognizes revenue when the following criteria have been met: (1) persuasive evidence of an arrangement exists, (2) the fees are fixed or determinable, (3) delivery has occurred or services have been rendered, and (4) collection is reasonably assured. Revenues consist of amounts charged to customers for advertisements placed on the Company's publisher vendor's websites, net of discounts, credits and amounts paid or due under revenue sharing arrangements. The Company's revenue is recognized in the period that the advertising impressions, click-throughs or actions occur.

The determination regarding whether revenue is recognized on a gross or net basis is dependent on whether the Company acts as a principal or an agent in transactions with customers. When the Company is acting as a principal, revenue is reported gross and any payments to third parties are recorded as costs of revenue. When the Company is acting as an agent between different parties, revenue is reported net of the costs incurred to place advertisements on publisher vendor's websites, in accordance with the accounting guidance for principal-agent considerations. The determination of whether the Company is acting as a principal or agent involves judgment and is based on several factors including whether the Company is the primary obligor in the arrangement (responsible for providing the service), the assumption of inventory risk, the latitude the Company has in establishing price and in supplier selection, and the involvement of the Company in determining service specification.

The Company, as the primary obligor, is involved in establishing price and vendor selection, and in performing billing and collection activities and incurring credit risk, and therefore acts as principal in these arrangements and reports revenue earned on costs incurred on a gross basis. The Company sometimes acts as an agent in regards to generating certain advertising revenues through our programmatic technology platform, and reports these revenues on a net basis.

Deferred revenue arises as a result of differences between the timing of revenue recognition and receipt of cash from the Company's customers.

The Company operates a strategic partnership, Undertone+, providing preferred partners the ability to earn credits based on spend that can be redeemed for various Undertone products and services. Based on established contract terms, credits expire 90 days from the last calendar day of the partnership period. When an Undertone+ preferred partner earns credits, the Company establishes a liability for the estimated cost of future redemptions of credits and revenue is deferred until the credits are redeemed or expire. As of June 30, 2015 and December 31, 2014, the Company had $264,465 and $279,756, respectively, related to the Undertone+ credits on the consolidated Balance Sheets within other current liabilities. The Company determined this amount based on the actual known information of usage and expiration of credits subsequent to period end. The Company continually evaluates its liability methodology and assumptions based on developments in redemption patterns, contract term updates, and other factors.

Cost of revenue

Cost of revenue consists primarily of expenses for the purchase of advertising impressions from publishers and costs associated with the development, targeting, rich media and services in delivery of advertising units. The Company becomes obligated to make payments related to such expenses in the period the advertising impressions, click-throughs, actions or lead-based information are delivered or occur. Such expenses are classified as cost of revenue in the corresponding period in which the revenue is recognized in the accompanying Consolidated Statement of Operations. In addition, cost of revenue also includes the amortization expense of capitalized internal use software cost.

Advertising costs

Advertising costs related to ongoing activities are expensed as incurred. For the six months ended June 30, 2015 and 2014, advertising costs totaled $175,659 and $322,813 respectively.

Stock-based compensation

The Company recognizes compensation expense for stock-based compensation in accordance with ASC 718, "*Compensation – Stock Compensation*." The value of the portion of employee stock-based awards expected to vest is recognized as compensation expense, net of estimated forfeitures, over the requisite service period.

The Company calculates the fair value of employee stock-based awards on the date of grant using the Black-Scholes option pricing model. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

In addition, the Company grants option awards to non-employees acting in advisory and consulting capacities. For non-employee share-based awards, the Company calculates the fair value of the award on the date of grant in the same manner as employee stock-based awards, however, the unvested portion of the awards are revalued at the end of each reporting period and the pro-rata compensation expense is adjusted accordingly until such time the non-employee award is fully vested. At that time, the total compensation recognized to date shall equal the fair value of the share-based award as calculated on the measurement date, which is the date at which the award recipient's performance is complete.

Fair value of financial instruments

The Company applies ASC 820 "*Fair Value Measurements and Disclosures*", for financial assets and liabilities that are required to be measured at fair value, and non-financial assets and liabilities that are not required to be measured at fair value on a recurring basis. See Note 10 for fair value of financial instrument disclosure.

Interest rate swaps

The Company sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaps allow the Company to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if it borrowed at fixed rates directly. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The Company records the difference between fixed contract rates and floating rate interest amounts in other expenses during the period in which these amounts arise.

Income taxes

The Company uses the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "*Income Taxes*." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year; and, (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's consolidated financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if, based on the weight of the available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. A liability (including interest if applicable) is established in the consolidated financial statements to the extent a current benefit has been recognized on a tax return for matters that are considered contingent upon the outcome of an uncertain tax position. Interest and penalties, if any, are included as components of income tax expense and income taxes payable.

The Company follows ASC 740 when accounting for tax contingencies. The guidance prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under US GAAP, tax benefits are initially recognized in the consolidated financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

Recent accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers"* (ASU 2014-09), which modifies the existing accounting standards for revenue recognition to depict the transfer of promised goods or services in an amount that reflects the consideration that a company is expected to be entitled to under a five step approach which will work to create a more consistent accounting framework between U.S. GAAP and International Financial Reporting Standards. ASU 2014-09 was initially scheduled to be effective for the Company for the year ended December 31, 2018, but was modified to delay the effective date by one year to the year ended December 31, 2019. The accounting guidance provides for two transition methods for implementation and will be applied to prior reporting periods for comparable information. The Company is in the process of determining the impact that this standard will have on the timing of revenue recognition as well as the transition method that will be utilized.

June 2014, the FASB issued ASU 2014-12, "*Stock Compensation*" (ASU 2014-12), providing guidance on accounting for share-based payment awards when the terms of an award provide that a performance target could be achieved after the requisite service period. The update clarifies that performance targets that can be achieved after the requisite service period of a share-based payment award be treated as performance conditions that affect vesting. These awards should be accounted for under Accounting Standards Codification Topic 718, Compensation - Stock Compensation, and existing guidance should be applied as it relates to awards with performance conditions that affect vesting. The update will become effective for the Company for annual periods and interim periods within those annual periods beginning after December 15, 2015. The Company does not expect this standard to have a material impact on its Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03, "*Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*" (ASU 2015-03), which requires an entity to present debt issuance costs on the balance sheet as a direct deduction from the related liability rather than as an asset. ASU 2015-03 is effective for annual and interim reporting periods beginning after December 15, 2015. The Company does not expect this standard to have a material impact on its Consolidated Financial Statements but requires a reclassification of debt issuance costs from prepaid expenses and other current assets to debt on the consolidated balance sheets.

In April 2015, the FASB issued ASU 2015-05, "*Intangibles-Goodwill and Other-Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*" (ASU 2015-05), which provides guidance about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement does not include a software license, the Company should account for the arrangement as a service contract. ASU 2015-05 is effective for annual and interim reporting periods beginning after December 15, 2015. The Company does not expect this standard to have a material impact on its Consolidated Financial Statements.

In September 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). This guidance eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts that would have been recorded in previous periods if the accounting had been completed at the acquisition date. The guidance is effective for fiscal years beginning after December 15, 2015, but early adoption is permitted. The Company does not expect this standard to have a material impact on its Consolidated Financial Statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Computer equipment	$ 1,716,603	$ 1,652,946
Furniture and fixtures	826,826	831,445
Vehicle	434,103	353,377
Leasehold improvements	1,907,690	1,907,690
Property and equipment, gross	4,885,222	4,745,458
Less: Accumulated Depreciation and amortization	(2,369,705)	(1,796,096)
Property and equipment, net	$ 2,515,517	$ 2,949,362

Total depreciation and amortization expense on property and equipment for the six months ended June 30, 2015 and 2014 was $583,976 and $566,459, respectively.

NOTE 3 – ACCRUED EXPENSES

Accrued expenses consist of the following at June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Accrued publisher fees	$ 11,588,968	$ 12,599,150
Payroll accrual	2,617,023	4,668,802
Other accrued expenses	3,469,631	3,023,304
Total	$ 17,675,622	$ 20,291,256

NOTE 4 – DUE TO STOCKHOLDER

As of December 31, 2013, the Due to Stockholder balance of $363,552 represented estimated funds due to the former owners of Intercept Interactive, Inc. and its acquired companies. The balance was paid in January 2014.

NOTE 5 – BUSINESS COMBINATIONS

Upfront

In June 2014, the Company acquired 100% of Legolas, an Israeli company that developed Programmatic software. The Company acquired Legolas to enter the Programmatic sales market. The total purchase price of $2,245,833 included a transaction bonus of $333,833 for pre-combination services paid upon the close of the transaction, cash consideration of $1,720,800, and additional "holdback" cash payment of $191,200. The holdback amount was paid in September 2015 and is recorded in the balance sheet within "Other Current Liabilities" at June 30, 2015 and December 31, 2014.

The Company acquired fixed assets of $101,129, acquired technology of $1,897,000, customer relationships of $33,000, and goodwill of $214,704. The intangible assets are valued using the income approach. Under the income approach, the technology was valued using the relief from royalty method and the customer relationship was valued using the multi-period excess earnings method. The goodwill recognized in the acquisition is deductible for tax purposes.

As part of this acquisition, several Legolas employees entered into employment agreements with the Company which included a bonus of $1,483,333 which is contingent upon employment. The amount of the bonus is earned over 15 months due and payable as follows: (i) 25% of the bonus shall be earned and become payable on the closing date, (ii) 25% of the bonus shall be earned and become payable on the date that is seven months and two weeks following the closing date provided the employee remains and is an employee in good standing of the Company through such date; and, (iii) 50% of the bonus shall be earned and becomes payable 15 months following the closing date. For the six months ended June 30, 2014 and six months ended June 30, 2015, $403,478 and $739,174 of the bonus was earned, respectively.

Goodwill

The change in the net carrying amount of goodwill was as follows:

	Goodwill
Goodwill at January 1, 2014	$ 60,193,393
Acquisition of Upfront	214,704
Goodwill at December 31, 2014 and June 30, 2015	$ 60,408,097

NOTE 6 - INTANGIBLE ASSETS

The following is a summary of intangible assets as of June 30, 2015 and December 31, 2014:

	June 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademark	$ 2,790,000	$ -	$ 2,790,000	$ 2,790,000	$ -	$ 2,790,000
Customer relationships	8,181,000	(8,159,000)	22,000	8,181,000	(8,153,500)	27,500
Capitalized software	15,630,048	(7,984,563)	7,645,485	12,714,619	(6,209,737)	6,504,882
Acquired technology	2,553,000	(986,200)	1,566,800	2,553,000	(730,900)	1,822,100
Total	$ 29,154,048	$ (17,129,763)	$ 12,024,285	$ 26,238,619	$ (15,094,137)	$ 11,144,482

During the six months ended June 30, 2015 and 2014, additions of capitalized internal use software were $2,915,429 and $2,617,682, respectively.

Amortization expense for the six months ended June 30, 2015 and 2014 was $2,035,627 and $1,167,076, respectively.

Estimated amortization expense for the next five years as of June 30, 2015 is as follows:

	Amortization
2015	$ 1,881,730
2016	3,326,650
2017	2,708,546
2018	1,127,659
2019	189,700
Total	$ 9,234,285

NOTE 7 – CREDIT FACILITY

In April 2014, the Company and its U.S. subsidiaries, Intercept Interactive Inc. and Jambo Media LLC, entered into an amended and restated revolving credit and term loan agreement (the “Amended Credit Agreement”) with Comerica Bank, Silicon Valley Bank, and Suntrust Robinson Humphrey, Inc., which provided the Company with a $60,000,000 term loan, a $45,000,000 revolving credit facility, and a $3,000,000 swing line of credit. The term loan accrues interest at a base margin of 1.75%, 2.00%, 2.25%, or 2.50%, depending on debt to EBITDA ratios, plus the greatest of (a) the prime rate for such day, (b) the Federal Funds effective rate in effect on such day, plus one percent (1.0%), and (c) the Daily Adjusting LIBOR rate plus one percent (1.0%) (The “Amended Credit Agreement Interest Rate”). At June 30, 2015, the interest rate was 3.68%. Per ASC 470, this amended credit agreement was recorded as a modification of debt and the remaining unamortized loan costs will be amortized over the life of the amended credit agreement. On January 13, 2015 and June 29, 2015, the Company withdrew an additional $3,000,000 and $5,000,000 from its revolving credit facility, respectively. As of June 30, 2015, the Company had an outstanding balance on the amended credit agreement of $63,500,000, including $5,000,000 outstanding on the revolving credit facility and $58,500,000 outstanding on the term loan

At June 30, 2015, the Company submitted its compliance report timely and was in compliance with all of its debt financial covenants. The Company received a waiver from the banks for its covenant requirement to submit audited financial statements for the year ended December 31, 2014 within 180 days of year end.

Scheduled principal payments for the next five years on the outstanding credit facility balance as of June 30, 2015 are as follows:

2015	$ 1,500,000
2016	3,000,000
2017	3,000,000
2018	3,000,000
2019	53,000,000
Total	$63,500,000

As of June 30, 2015 and December 31, 2014, loan fees of $1,663,268 of $1,884,492, respectively, are included in prepaid expenses and other current assets on the accompanying consolidated balance sheet, and are amortized on a straight-line basis over the life of the underlying credit facility. Amortization expense related to loan fees for the six months ended June 30, 2015 and 2014, was $221,224 and $123,880 respectively.

In March 2013, the Company entered into an interest rate swap agreement with Comerica Bank against the variability in future interest payments due on the term loan. The terms of the swap agreement, effectively converts the variable rate portion of the interest payments due on $13,750,000 of the term loan to a fixed rate of 0.63% through April 2016.

Effective July 2014, the Company entered into an interest rate swap agreement with Comerica Bank against the variability in future interest payments due on the term loan. The terms of the swap agreement, effectively converts the variable rate portion of the interest payments due on $44,718,750 of the term loan to a fixed rate of 1.16% through July 2017.

The Company is exposed to interest rate risk associated with the Company's floating rate debt and entered into the interest rate swaps in order to manage such risk (See Note 10).

For the six months ended June 30, 2015 and 2014, interest expense totaled $1,042,451 and $877,776, respectively.

NOTE 8 - STOCKHOLDERS' EQUITY

Common stock

The Company has 60,000,000 shares of common stock authorized with a par value of $0.0005 per share. As of June 30, 2015 and December 31, 2014, 1,469,021 and 1,384,262 shares of common stock are issued and outstanding, respectively. The voting, dividend and liquidation rights of common stockholders are subject to, and qualified by, the rights of preferred stockholders. Common stockholders are entitled to one vote for each share of common stock held on all matters brought before the stockholders. The common stockholders are entitled to receive dividends when, and if, declared by the Board of Directors, and subject to preferential dividend rights of preferred stockholders. Upon dissolution or liquidation of the Company, common stockholders will be entitled to receive all assets of the Company available for distribution to stockholders, subject to preferential rights of preferred stockholders.

Series A Preferred Stock

The Company is authorized to issue up to 40,000,000 shares of Series A Preferred, with a par value of $0.0005, of which 37,184,556 shares were issued and outstanding as of June 30, 2015 and December 31, 2014, respectively.

The holders of Series A Preferred have the following rights and preferences:

Voting

Each holder of the Series A Preferred shall be entitled to the number of votes equal to the number of shares of common stock into which the shares of Series A Preferred could be converted immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent and shall have voting rights and powers equal to the voting rights and powers of the common stock. The Series A Preferred Stock shall vote together with all other classes and series of stock of the Company (including the common stock) as a single class on all actions to be taken by the stockholders of the Company.

So long as any shares of the Series A Preferred remain outstanding, the holders of the Series A Preferred shall have the exclusive right, voting as a separate class, to elect, and to remove and replace after such election, five individuals to serve on the Board of Directors.

Conversion

Each share of Series A Preferred is convertible at any time, at the option of the holder, into such number of fully-paid shares of common stock determined by dividing the original issue price of $1.2725 for the Series A Preferred by the conversion price of $1.2726 for the Series A Preferred. The Series A Preferred shall automatically convert into common stock at the then effective conversion rate for such shares upon the earlier of (a) immediately prior to the closing of the sale of shares of common stock to the public at a price of a least $5.09 per share in a firm commitment under the Securities Act of 1933, as amended, resulting in at least $25,000,000 of proceeds, net of all underwriting discount and commissions, to the Company, or (b) the date specified by vote or written consent of the holders of a majority of the then outstanding shares of Series A Preferred, voting separately as a single class.

Dividends

Holders of the Series A Preferred are entitled to receive cumulative dividends at the rate of 8% per share per annum, payable when and as declared by the Board of Directors. Declared and unpaid dividends on the Series A Preferred shall be payable upon liquidation of the Company, conversion or redemption.

As of June 30, 2015 and December 31, 2014, cumulative undeclared cash dividends on Series A Preferred totaled $14,493,028 and $12,115,577.

In April 2014, the Company declared and paid a dividend to Series A Redeemable Convertible Preferred stockholders of $48,414,292 on an “as-converted” basis and to common stockholders of $1,470,380. The dividend paid to preferred stockholders that was declared and paid was not applied as payment of the cumulative undeclared cash dividend.

Liquidation

In the event of liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of the Series A Preferred shall be entitled to receive an amount in cash equal to the sum of (a) the liquidation preference specified for each share of Series A Preferred and (b) all declared and unpaid dividends (if any) on such share of Series A Preferred. Assets available for distribution to the Company’s stockholders shall be paid to Series A Preferred prior to any payment made to the holders of common stock or any other class or series of stock ranking on liquidation junior to Series A Preferred.

If assets of the Company is insufficient to make payments in full to all holders of Series A Preferred of the preference amount, then such assets shall be distributed among the holders of Series A Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled if such amounts had been paid in full.

Redemption

At any time on or after March 19, 2013, the holders of a majority of the then outstanding Series A Preferred, voting separately as a single class, may require the Company to redeem all of the outstanding shares of Series A Preferred. If a Redemption Request is made, the redemption will occur, subject to funds that are legally available, in two equal annual installments (each, a “Redemption Date”), with the first installment occurring within 120 days of the Redemption Request. The Company shall redeem the shares of Series A Preferred by paying in cash an amount per share equal to the redemption price for such share of Series A Preferred plus any accrued but unpaid dividend. If the Company does not have sufficient funds legally available to redeem on any Redemption Date, a pro rata portion shall be redeemed based on the amounts that are legally available, and the Company shall redeem the remaining amounts as soon as practicable.

NOTE 9 - EQUITY INCENTIVE PLAN

On September 28, 2011, the Board of Directors adopted and the stockholders approved the Amended and Restated 2008 Equity Incentive Plan (as amended and restated, the “Plan”). The Plan authorizes the granting of stock options and restricted stock to provide incentives to its employees, directors, and officers. The maximum number of shares of stock reserved and available for issuance under the Plan shall be 12,394,850 shares at June 30, 2014. On February 11, 2015, the Board of Directors amended and restated the Plan to increase the maximum number of shares of stock reserved and available for issuance to 12,894,850.

At June 30, 2015 and December 31, 2014, there were 1,146,919 and 439,510 shares of stock available for future grant under the Plan, respectively.

Stock Options

The exercise price of a stock option shall not be less than the fair market value of the stock on the date of grant. In the case of an Incentive Stock Option that is granted to a 10% owner, the exercise price per share for the stock covered by such Incentive Stock Option shall be not less than 110% of the fair market value on the grant date. Incentive Stock Options expire five years from the date of the grant for employees owning 10% or more of the company’s stock and ten years from the date of the grant for all other employees. Non-Qualified Stock Options expire ten years from the date of the grant. There were no stock option grants during the six months ended June 30, 2014.

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Pricing Model using the weighted average assumptions noted in the following grants table:

	June 30, 2015
Expected Volatility	43.00%
Expected Dividends	-
Expected Term (in Years)	5.5
Risk-free Interest Rate	1.30%

Calculating stock-based compensation requires the input of highly subjective assumptions, including the expected term of the stock-based awards and stock price volatility. The Company estimates the volatility of the common stock on the date of grant based on the historic volatility of comparable companies in the industry. The expected dividends are based on the management's expectations for dividend issuance in the future. The Company estimates the expected life of stock options granted based on the simplified method, which the Company believes, is representative of future behavior. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Compensation costs associated with the stock options is classified in each of the expense categories as follows:

	Six Months Ended June 30,	
	2015	2014
General and Administrative	$ 691,365	$ 421,097
Research & Development	119,933	64,578
Sales and Marketing	265,710	765,895
	$ 1,077,008	$ 1,251,570

The following is a summary of option activity for the six months ended June 30, 2015:

	Total Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at January 1, 2015	10,563,793	$ 4.43	
Granted	201,762	2.86	
Exercised	(85,194)	1.69	
Forfeited	(401,451)	1.38	
Outstanding at June 30, 2015	10,278,910	$ 4.51	5.53
Exercisable at June 30, 2015	7,229,207	$ 5.18	4.08

At June 30, 2015, there were 7,229,207 vested and exercisable options with a weighted average exercise price of $5.18 and a weighted average remaining contractual term of 4.08 years. The weighted-average grant date fair value of options issued during the six months ended June 30, 2015 was $2.86. There were no options granted during the six months ended June 30, 2014.

Option Modification

In May 2014, the Company modified two issuances of options to an employee, reducing the exercise price on 584,446 incentive stock options by $1.30 per option.

As a result of the modification, the Company recorded stock option expense of $539,463 during the six months ended June 30, 2014 using the Black-Scholes option pricing model with the following assumptions: Stock price of $2.86, Exercise prices of $1.88 and $0.24, Volatility of 48.00%, Expected Life of 0.375 years and a Risk-free rate of 0.03%.

In February 2015, the Company modified an issuance of options to an employee, extending the time to exercise shares after termination and allowing the employee to exercise shares on a cashless basis in exchange for a forfeiture of a portion of their outstanding options.

In addition, the Company paid payroll taxes on behalf of the employee of $81,331 in exchange for a further reduction of 28,438 of the employee’s outstanding options. The Company issued 43,302 shares of common stock upon exercise of these options.

Restricted Stock

In December 2014, the Company granted 17,482 shares of common stock to an executive that vested monthly through May 2015. In February 2015, the Company repurchased 7,720 shares from the executive for $22,079. During the six months ended June 30, 2015, the Company expensed $18,504 in connection with this restricted stock grant.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company applies ASC 820 “*Fair Value Measurements and Disclosures*”, for financial assets and liabilities that are required to be measured at fair value, and non-financial assets and liabilities that are not required to be measured at fair value, on a recurring basis.

ASC 820 provides that the measurement of fair value requires the use of techniques based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s market assumptions. The inputs create the following fair value hierarchy:

Level 1 – Observable inputs based on unadjusted quoted prices for identical instruments in active markets.
Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
Level 3 – Unobservable inputs for which there is little or no market data, which require the Company to develop its own assumptions.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Carrying value of cash and cash equivalents, accounts payable and accrued expenses approximates fair value due to the relatively short maturity of these instruments. As of June 30, 2015 and December 31, 2014, the Company’s cash and cash equivalents of $12,860,090 and $6,528,069 were classified as Level 1.

Fair Value Measurement of the Liability for Interest Rate Swap Agreements

The Comerica interest rate swap has a fair value of $288,654 as of December 31, 2014. The swap agreement was not designated as a hedge.

During 2014, the Company entered into an additional interest rate swap (Note 7). The Company did not designate this new swap agreement as a hedge. The Company recorded a liability of $406,350 at June 30, 2015 in other long term liabilities relating to the interest rate swap fair value for the two existing interest rate swap agreements. The Company’s fair value measurements for the interest rate swap are designated as Level 2.

NOTE 11 – SERIES A PREFERRED STOCK WARRANTS

On March 19, 2008, the Company issued warrants to purchase up to 491,124 shares of Series A Preferred Stock at an exercise price of $1.27 per share. The warrants were fully vested and exercisable at the option of the holder upon issuance and expire in ten years from such date. On April 9, 2014, these warrants were exercised and the Company received a payment of $625,000.

ASC 480-10-25 clarifies that freestanding warrants and other similar instruments on shares that are redeemable (either puttable or mandatorily redeemable) should be accounted for as liabilities, regardless of the timing of the redemption feature or price, even though the underlying shares may be classified as equity. The original value at issuance was recorded as a liability and as a long-term debt discount on the accompanying consolidated balance sheet.

The warrants were valued at issuance at $187,504. Prior to the exercise, on April 9, 2014, these warrants were marked to market and valued at $876,951 using the Black-Scholes option pricing model with the following assumptions: Stock price of $3.86, Exercise price of $1.27, Volatility of 48.00%, Expected Life of 3.9 years and a Risk-free rate of 1.25% upon exercise. The value of the warrants at April 9, 2014 and the exercise price of $625,000 was recorded as a contribution to preferred stock. The decrease in the warrant valuation from December 31, 2013 to April 9, 2014 of $765,947 was recorded as an offset to other operating expense.

NOTE 12 – INCOME TAXES

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. In determining quarterly provisions for income taxes, the Company uses the annual estimated effective tax rate applied to the actual year-to-date ordinary income. Income tax expense/benefit related to items not characterized as ordinary income is recognized as a discrete item when incurred. The Company's annual estimated effective tax rate differs from the statutory rate primarily as a result of state taxes, foreign taxes, nondeductible stock option expenses, and changes in the Company's valuation allowance.

The Company recorded income tax expense of $1,404,250 and $2,889,904 for the six months ended June 30, 2015 and 2014, respectively.

The Company's policy is to record interest and penalties associated with the underpayment of income taxes within Provision for income taxes in the Consolidated Statement of Income. It is reasonably possible that in the next twelve months, because of changes in facts and circumstances, the unrecognized tax benefits for tax positions taken relative to previously filed tax returns may increase.

The Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. These include the 2010 through 2014 tax years for federal and various state jurisdictions.

NOTE 13 - RETIREMENT PLAN

The Company has a 401k and profit sharing plan ("401k Plan"), available to all U.S. employees who meet the prescribed age and service requirements as defined in the plan document. Under the terms of the 401k Plan, participating employees may contribute a percentage of their compensation, up to the maximum amount allowable by law. There were no employer contributions to the 401k Plan during the six months ended June 30, 2014.

During the six months ended June 30, 2015, the Company has initiated an employer match to employee contributions that will range from 0% to 3%, depending on future operations and statutory regulations and have accrued $398,903 of expenses relating to this match.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

The Company is subject to credit risk concentrations principally from cash and cash equivalents and accounts receivable. The Company's management believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in major financial institutions. Accounts receivable are due from large commercial organizations located in the United States, Canada and Europe. Accounts receivable are generally due within 30 days and no collateral is required. Management routinely evaluates the collectability of accounts receivable and maintains an allowance for doubtful accounts. The Company does not have any customer that exceeded 10% of the total revenue for the six months ended June 30, 2015 and 2014, or 10% of the total accounts receivable as of June 30, 2015 and December 31, 2014.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation

There are no legal proceedings to which the Company is a party that are reasonably expected to be material to the Company's operations or financial condition. From time to time, the Company may be involved in other disputes or regulatory inquiries that arise in the ordinary course of business. The number and significance of these disputes and inquiries may increase as the Company's business expands. Any claims or regulatory actions against the Company, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time, and result in the diversion of significant operational resources.

Leases

The Company leases office spaces for its headquarters and other locations under the terms of non-cancelable operating leases expiring on various dates through 2021. These lease agreements contain escalation clauses and provisions for the payment of taxes and operating expenses.

A schedule of the future minimum lease payments required under these non-cancelable operating leases at June 30, 2015 is as follows:

2015	$ 1,833,759
2016	3,657,380
2017	3,479,998
2018	3,401,041
2019	1,296,211
Thereafter	2,538,360
Total	$16,206,749

In accordance with US GAAP, the Company is recognizing the total cost of its operating leases ratably over the lease period. The cumulative difference between rent paid and that expensed is reflected as deferred rent.

Rent expense totaled $1,424,407 and $1,582,827 for the six months ended June 30, 2015 and 2014, respectively.

As of June 30, 2015 and December 31, 2014, the Company had $1,144,514 and $1,299,910, respectively, in outstanding letters of credit to secure its office space leases. The letters of credit are scheduled to mature upon expiration of the leases between 2015 and 2021.

In February 2014, the Company entered into a new lease for additional office space at 340 Madison Ave, New York, NY. The new lease ends on October 2021 and the future payment obligations are included in the commitments table above. In December 2014, the Company determined that the leased space has no future economic benefit as well as being commercially available and is actively seeking a sub-lessee. Through the date of issuance of these financial statements the Company has not entered into an agreement with a sub-lessee. In accordance with ASC 420-10 the Company recorded a cease use lease liability of $1,587,768 at December 31, 2014 representing an estimate of the amount of discounted future net cash flows relating to this new lease. At June 30, 2015, a cease use liability of $1,313,448 is included in other current and other long term liabilities.

NOTE 16 – SUBSEQUENT EVENTS

In July 2015, the Company acquired Spark Flow LLC, owner of a rich media platform, in exchange for cash consideration of $3,000,000 with an additional $3,000,000 of earn-out payments for post-combination services to be made over a two year period subsequent to closing upon the achievement of certain milestones. The total purchase price will be allocated to the underlying assets based on their estimated fair values and goodwill.

In connection with this acquisition, the Company entered into an outsourced development agreement and a reseller agreement with entities controlled by the founders of Spark Flow LLC. The outsourced development agreement requires monthly payments of $60,000 per month, a total of $1,000,000 of bonus payments payable over an eighteen month period after the close of the acquisition, as well as 200,000 warrants that will be earned over a four year life, in exchange for service connected with the future design and development of the rich media platform. The reseller agreement provides the reseller with the ability to sell subscriptions to the rich media platform for a five year period in certain exclusive territories, and the Company will receive 40% of the revenues generated by the reseller. The outsourced development and reseller agreements are cancelable which may accelerate the timing of the payment of the earn-out and bonus payments.

On November 30, 2015, the Company was acquired by Perion Network Ltd. for a total purchase price of $133,329,000 in cash, in addition to working capital adjustments in the amount of $1,000,000, consisting of approximately $90,186,000 paid in cash, $16,000,000 retained as a holdback to cover potential claims until May 31, 2017, $3,000,000 which will be paid in installments over a period of 18 months, an amount of $20,000,000 deferred consideration payment, bearing interest, due on November 30, 2020, and working capital adjustments in the amount of $3,300,000 which will be paid in 2016. The fair values of the deferred liabilities to be recorded in purchase accounting are in the amount of $ 43,143,000. In addition, the Company's term loan with an outstanding principal balance of $57,000,000 was repaid and the Company entered into a new credit agreement with the existing lenders, SunTrust Robinson Humphreys, Silicon Valley Bank and Comerica Bank, for $50,000,000. The new credit agreement expires on November 29, 2019, interest on the agreement is at LIBOR plus 5.50% or the prime rate plus 4.50%, and is collateralized by substantially all of the Company’s assets. At November 30, 2015, $50,000,000 was outstanding under the new credit facility.

Scheduled principal payments on the new credit agreement are as follows:

2016	$ 2,500,000
2017	3,750,000
2018	5,000,000
2019	38,750,000
Total	$50,000,000

Subsequent events have been evaluated through December 31, 2015, which is the date the consolidated financial statements were issued.

<u>Exhibit 99.3</u>

Unaudited Pro Forma Condensed Combined Financial Information

On November 30, 2015, Perion Network Ltd. (“Perion” or the “Company”) completed the acquisition (the “Acquisition”) of Interactive Holding Corp., a Delaware corporation, and its subsidiaries (collectively referred to as "Undertone").

The following Unaudited Pro Forma Condensed Combined Statements of Income for the year ended December 31, 2014 and the six months ended June 30, 2015 combine the historical consolidated statements of income of Undertone and Perion giving effect to the Acquisition as if it had been consummated on January 1, 2014. The following Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2015 combines the historical consolidated balance sheets of Undertone and Perion giving effect to the Acquisition and to an asset acquisition made by Undertone from Spark Flow LLC on July 1, 2015 (the “Asset Acquisition”), see note 4h, as if it had been consummated on June 30, 2015.

The following Unaudited Pro Forma Condensed Combined Financial Information has been prepared in accordance with Article 11 of SEC Regulation S-X. It is presented for illustrative purposes only and is not necessarily indicative of the combined operating results or financial position that would have occurred if the Acquisition and the Asset Acquisition had been consummated on these dates and in accordance with the assumptions described herein, nor is it necessarily indicative of future results of operations or financial position of the combined company.

As of the date of this filing, management has not completed the detailed valuation studies necessary to determine the fair values of the Undertone assets and liabilities, nor has it identified all adjustments necessary to conform Undertone's accounting policies to Perion's accounting policies. Perion's management has allocated the purchase price based on the preliminary estimated fair value of Undertone's assets acquired and liabilities assumed based on discussions with Undertone's management, preliminary valuation studies and due diligence. Accordingly, the unaudited pro forma purchase price allocation and related adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional valuations and analyses are completed. Accordingly, there may be increases or decreases in the fair value of Undertone’s assets and liabilities reflected in the Unaudited Pro Forma Condensed Combined Balance Sheet that may also impact the Unaudited Pro Forma Condensed Combined Statements of Income. There can be no assurance that such final fair values of the assets acquired and liabilities assumed from the acquisition of Undertone will not result in material changes.

The following Unaudited Pro Forma Condensed Combined Financial Information has been developed from and should be read in conjunction with (i) the unaudited interim consolidated financial statements of Undertone for the six-month period ended June 30, 2015, (ii) the audited consolidated financial statements of Undertone for the year ended December 31, 2014, all included in this report, (iii) the unaudited interim consolidated financial information of Perion for the six-month period ended June 30, 2015, contained in Perion’s Report on Form 6-K filed with the SEC on November 3, 2015 and (iv) the audited consolidated financial statements of Perion for the year ended December 31, 2014 contained in Perion’s Report on Form 6-K filed with the SEC on April 6, 2015.

The following Unaudited Pro Forma Condensed Combined Statements of Income do not give effect to planned synergies and/or cost savings related to the Acquisition.

PERION NETWORK LTD.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF JUNE 30, 2015

In thousands

	Perion	Undertone	Pro Forma Adjustments	Note	Combined Pro Forma
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 72,242	$ 12,860	$ (63,266)	4(a1)	$ 20,654
			(1,182)	4(a2)	
Short term bank deposit	55,656	-	-		55,656
Accounts receivable, net	19,323	44,028	-		63,351
Prepaid expenses and other current assets	14,125	5,950	1,182	4(a2)	21,257
Total Current Assets	161,346	62,838	(63,266)		160,918
Property and equipment, net	12,240	2,516	-		14,756
Goodwill and intangible assets, net	184,806	72,432	59,202	4(b)	383,506
			67,066	4(c)	
Other assets	3,381	164	-		3,545
Total Assets	**$ 361,773**	**$ 137,950**	**$ 63,002**		**$ 562,725**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$ 15,079	$ 8,906	$ -		$ 23,985
Accrued expenses and other liabilities	15,148	20,259	12,122	4(d)	53,230
			5,701	4(e)	
Short term loan and current maturities of long-term liabilities liabilities convertible debt	9,697	3,000	19,900	4(a)	32,597
Deferred revenues	7,653	1,325	(368)	4(f)	8,610
Payment obligation related to acquisitions	7,646	-	4,293	4(g)	11,939
Total Current Liabilities	55,223	33,490	41,648		130,361
Long-Term Liabilities:					
Long term and Convertible debt	29,589	60,500	-		90,089
Payment obligation related to acquisition	-	-	38,850	4(g)	38,850
Other long-term liabilities	3,605	4,126	12,657	4(d)	20,388
Total Liabilities	$ 88,417	$ 98,116	$ 93,155		$ 279,688

PERION NETWORK LTD.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2015

In thousands

Convertible Preferred Stock	$ -	$ 61,814	$ (61,814)	4(i)	$ -
Shareholders' equity:					
Ordinary shares	194	1	(1)	4(i)	205
			11	4(a1)	
Additional paid-in capital	211,955	-	10,009	4(a1)	221,964
Treasury shares at cost	(1,002)	-	-		(1,002)
Accumulated other comprehensive income	429	1,260	(1,260)	4(i)	429
Retained earnings (accumulated deficit)	61,780	(23,241)	23,241	4(i)	61,441
			5,362	4(d)	
Total Shareholders' Equity	273,356	(21,980)	31,661		283,037
Total Liabilities and Shareholders' Equity	**$ 361,773**	**$ 137,950**	**$ 63,002**		**$ 562,725**

See notes to the unaudited pro forma condensed consolidated financial information

PERION NETWORK LTD.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

In thousands (except share and per share data)

	Perion	Undertone	Pro Forma adjustment 4(m)	Pro Forma adjustments	Note	Combined Pro Forma
Revenues	**$ 388,731**	**$ 167,311**		**$ -**		**$ 556,042**
Cost of revenues		76,265	(76,265)			
Gross Profit		91,046				**556,042**
Costs and Expenses:						
Cost of revenues	27,817		17,093	11,692	4(j)	56,602
Customer acquisition and media buy costs	174,575	-	59,172			233,747
Research and development	44,129	13,537		-		57,666
Selling and marketing	25,388	39,094		15,707	4(j)	80,189
General and administrative	37,605	19,488		(381)	4(j)	56,712
Other operating expense		3,743				3,743
Impairment and restructuring charges	23,922			-		23,922
Total Costs and Expenses	**333,436**	**75,862**	**76,265**	**27,018**		**512,581**
Income (loss) from Operations	**55,295**	**15,184**		**(27,018)**		**43,461**
Financial expense, net	2,888	2,026		2,675	4(k)	7,589
Other expense, net	-	495		-		495
Income (loss) before Taxes on Income	**52,407**	**12,663**		**(29,693)**		**35,377**
Taxes on income (benefit)	9,581	5,664		(11,896)	4(l)	3,349
Net Income (Loss)	**$ 42,826**	**$ 6,999**		**$ (17,797)**		**$ 32,028**
Net Earnings per Share:						
Basic	$ 0.63					$ 0.44
Diluted	$ 0.58					$ 0.40
Weighted average number of shares:						
Basic	68,213			4,437	5	72,650
Diluted	70,327			4,437	5	74,764

See notes to the unaudited pro forma condensed consolidated financial information

PERION NETWORK LTD.
UNAUDITED PRO FORMA CONDENSED COMBINE STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2015

In thousands (except share and per share data)

	Perion	Undertone	Pro Forma adjustment 4(m)	Pro Forma adjustments	Note	Combined Pro Forma
Revenues	**$ 100,706**	**$ 67,766**		**$ -**		**$ 168,472**
Cost of revenues		31,754	**(31,754)**			
Gross Profit		36,012				**168,472**
Costs and Expenses:						
Cost of revenues	5,626		7,210	632	4(j)	13,468
Customer acquisition and media buy costs	35,143	-	24,544			59,687
Research and development	13,139	4,202		-		17,341
Selling and marketing	11,737	17,652		7,138	4(j)	36,527
General and administrative	10,924	9,479		(284)	4(j)	20,119
Other operating expense		761				761
Impairment, net of gain on reversal of contingent consideration	(2,397)			-		(2,397)
Total Costs and Expenses	**74,172**	**32,094**	**31,754**	**7,486**		**145,506**
Income (Loss) from Operations	**26,534**	**3,918**		**(7,486)**		**22,966**
Financial expense, net	1,058	1,053		1,401	4(k)	3,512
Other expense, net		1,059				1,059
Income (Loss) before Taxes on Income	**25,476**	**1,806**		**(8,887)**		**18,395**
Taxes on income (benefit)	6,522	1,405		(3,809)	4(l)	4,118
Net Income (Loss)	**$ 18,954**	**$ 401**		**$ (5,078)**		**$ 14,277**
Net Earnings per Share:						
Basic	$ 0.27					$ 0.19
Diluted	$ 0.27					$ 0.19
Weighted average number of shares:						
Basic	70,623			4,437	5	75,060
Diluted	70,764			4,437	5	75,201

See notes to the unaudited pro forma condensed consolidated financial information

In thousands

Note 1. Description of the Transaction

On November 30, 2015 (the "Closing Date"), Perion completed the purchase (the "Acquisition") of Interactive Holding Corp., a Delaware corporation, and its subsidiaries (collectively referred to as "Undertone") for a purchase price of $133.3 million comprised of the following:

1) $89.2 million paid in cash, after giving effect to a $1.0 million decrease for working capital adjustments and a $2.0 million increase for excess cash on the Closing Date;

2) $16.0 million were retained as a holdback to cover potential claims until May 31, 2017, for which a liability of $14.3 million was recorded at fair value;

3) An amount of $3.0 million will be paid in installments over the period ending September 2017, for which a liability of $2.8 million was recorded at fair value;

4) An amount of $20.0 million, deferred consideration payment, bearing 10% annual interest, will be paid on November 30, 2020, for which a liability of $22.7 million was recorded at fair value;

5) An amount of $1.2 million will be paid on January 29, 2016; and

6) An amount of $2.1 million excess in tax advances which will be paid upon refund from the tax authorities during 2016.

On December 3, 2015 Perion completed a private placement of 4,436,898 ordinary shares for gross proceeds of $10.125 million. According to the share purchase agreement, if, on September 1, 2016, the 15-trading day weighted average price of an ordinary share is less than $2.624, the per share purchase price of $2.282 will be adjusted downward 1% for each whole 1% that the September 1, 2016 calculated price is lower than $2.282, up to a maximum adjustment of 15%, and Perion will issue to the investors such number of additional ordinary shares as is necessary so that each investor will receive such number of ordinary shares in total that it would have purchased at the closing of the private placement at such lower price.

On November 22, 2015, the Company borrowed $19.9 million under a new credit facility from a bank, comprised of: $14.9 million bearing interest of Libor + 1.2%; and, $5.0 million bearing interest of Libor + 1.7%. The credit facility is secured by a lien on the accounts receivable of ClientConnect Ltd., an Israeli subsidiary of the Company, from its current and future business clients and is guaranteed by Perion. The credit facility matures in November 2016.

Note 2. Basis of Pro Forma Presentation

The Unaudited Pro Forma Condensed Combined Statements of Income for the year ended December 31, 2014 and for the period of six months ended June 30, 2015 give effect to the Acquisition as if it had been consummated on January 1, 2014. The Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2015 gives effect to the Acquisition and the Asset acquisition as if it had been consummated on June 30, 2015.

The Unaudited Pro Forma Condensed Combined information has been derived from the historical financial statements of Perion and Undertone that are either included in or referenced in this filling. Based on Perion management's preliminary review of the respective summaries of significant accounting policies of Undertone and preliminary discussions among the respective management teams, the nature and amount of any adjustments to the historical financial statements of Undertone to conform its accounting policies to those of Perion are not expected to be material. As described in Note 4(m) Undertone will present a one-step statement of income and will reclassify media buying costs to a separate line item to be consistent with Perion's presentation. Further review of accounting policies may result in additional revisions to Undertone's policies and classifications to conform to those of Perion.

Assumptions and estimates underlying the unaudited pro forma adjustments are described in these notes and should be read in conjunction with the Unaudited Pro Forma Condensed Combined Financial Information. Since the Unaudited Pro Forma Condensed Combined Financial Information has been prepared based upon preliminary estimates, the final amounts may differ materially from the information presented.

The Acquisition is reflected in the Unaudited Pro Forma Condensed Combined Financial Information as an acquisition of all the outstanding shares of Undertone by Perion in accordance with Accounting Standards Codification Topic 805, "Business Combinations". Under these accounting standards, the total estimated purchase price is calculated as described in Note 3, and the assets acquired and the liabilities assumed from Undertone are measured and recorded at their estimated fair values. For the purpose of measuring the estimated fair value of the assets acquired and liabilities assumed, Perion estimated the fair values as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurements utilize estimates based on key assumptions of the Acquisition, including historical and current market data. The unaudited pro forma adjustments included herein are preliminary and will be adjusted as additional information becomes available and as additional analyses are performed. The final purchase price allocation and the final amounts of the assets acquired and liabilities assumed in the Acquisition may differ materially from the values recorded in this Unaudited Pro Forma Condensed Combined Financial Information.

In thousands

Estimated transaction costs have been excluded from the Unaudited Pro Forma Condensed Combined Statements of Income as they reflect charges directly related to the Acquisition and do not have an ongoing impact. However, the anticipated transaction costs are reflected in the Unaudited Pro Forma Condensed Combined Balance Sheet as an increase to accounts payable and other current liabilities and a decrease to retained earnings. In addition, the Unaudited Pro Forma Condensed Combined Financial Information does not include one-time costs directly attributable to the transaction, employee retention costs or professional fees incurred or to be incurred by Perion or Undertone pursuant to provisions contained in the Acquisition agreement, as those costs are not considered part of the purchase price or are not expected to have a continuing impact.

Perion and Undertone expect to incur significant costs associated with integrating the operations of their respective businesses. The Unaudited Pro Forma Condensed Combined Financial Information does not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies expected to result from the acquisition.

The Unaudited Pro Forma Condensed Combined Financial Information is provided for informational purposes only and does not purport to be indicative of the Company's financial position or results of operations which would actually have been obtained had the Acquisition been completed as of the date or for the periods presented, or of the financial position or results of operations that may be obtained in the future.

Note 3. Estimated Purchase Consideration and Preliminary Purchase Price Allocation

The following table shows a summary of the estimated purchase price as of June 30, 2015:

Cash Paid	$	90,186
Deferred consideration payment, presented at fair value		25,462
Holdback amount, presented at fair value		14,355
Deferred payment related to working capital adjustments		3,326
Total preliminary purchase price	$	133,329

(*) for the pro forma the Company used the excess cash balance on the Closing Date

The preliminary allocation of the estimated purchase price to the fair values of assets acquired and liabilities assumed includes unaudited pro forma adjustments to reflect the fair values of Undertone's assets and liabilities (including asset acquired from Spark Flow- see note 4h). The preliminary allocation of the estimated purchase price is as follows:

As of June 30, 2015:

Net liabilities assumed	$	(33,735)
Intangible assets:		
In Process research and development		2,000
Customer relationships		37,480
Acquired identified technology		20,780
Trade names and trademarks		10,200
Backlog		8,630
Deferred tax liability		(31,636)
Goodwill		119,610
Total estimated purchase price	$	133,329

In thousands

The purchase price allocation shown in the table above is based on Perion's preliminary estimates of fair value of Undertone's assets and liabilities. These estimated fair values are considered preliminary and are subject to change upon completion of the final valuation. Changes in fair value of the acquired intangible assets may be material.

The preliminary purchase price allocation does not address uncertain tax positions of Undertone as of the Closing Date. The exposures related to uncertain tax positions relating to periods prior to the Closing Date are subject to indemnification by Undertone's former shareholders (sellers) up to the total acquisition consideration, pursuant to the terms of the Acquisition agreement. Upon completion of the detailed valuations necessary to determine the fair value of such liabilities, uncertain tax positions liability will be recorded and a respective indemnification asset will be recorded at the same level. Therefore, there will be no effect on goodwill.

Note 4. Adjustments to Unaudited Pro Forma Condensed Combined Financial Information

The unaudited adjustments to historical amounts included in the Unaudited Pro Forma Condensed Combined Financial information are as follows:

a1) To record the cash paid for the Acquisition and the Asset acquisition the proceeds from short term loan and issuance of ordinary shares in a private placement:

Cash paid for the Acquisition (*) (Note 3)	$	(90,186)
Proceeds from a short term loan (Note 1)		19,900
Proceeds from private placement, net of issuance expenses (Note 1)		10,020
Cash paid by Undertone in July 2015 to Spark Flow LLC (Note 4h)		(3,000)
	$	(63,266)

(*) for the pro forma adjustment the Company used the excess cash balance on the Closing Date

a2) On November 30, 2015, an amount of $1,182 of the cash balance of Undertone was restricted to collateralize certain letters of credit. This amount was deferred from the Closing Date and will be paid on the earlier of January 2016 or upon release of such balance. An amount of $1,182 was reclassified to restricted cash and is included under prepaid expenses and other current assets.

b) Goodwill reflects the preliminary estimate of the excess of the purchase price paid over the fair value of the assets acquired and liabilities assumed from Undertone, and is not amortized in the amount of $119,610 offset by the elimination of Undertone's historical goodwill in the amount of $60,408.

c) Other intangible assets reflect the preliminary estimated fair value of Undertone's intangibles assets of $79,090, offset by the elimination of Undertone's historical intangible assets in the amount of $12,024. The provisional measurements of fair value reflected are subject to change and such changes could be significant to the fair value and to the related amortization. See Note (j) for further information on intangible assets.

d) The adjustments to accrued expenses and other liabilities and long-term liabilities include an adjustment of the deferred taxes arising from the estimated fair value adjustments for intangibles acquired (other than goodwill) and are based on Undertone's expected tax rates in the years in which the deferred taxes are expected to be reversed.

Current deferred tax liability - adjustment was due to a preliminary estimate of $12,122 deferred tax liability associated with the intangible assets acquired.

Non-current deferred tax liability - net adjustment was due to a preliminary estimate of $19,514 deferred tax liability associated with the intangible assets acquired, offset by the elimination of Undertone's historical deferred tax liability of $1,495 (related to intangible assets of Undertone that were also eliminated – see note c above) and reversal of $5,362 valuation allowance previously recorded by a U.S. subsidiary of the Company. Undertone will be included in the Company's U.S. consolidated tax return following the Acquisition, the Company has determined that the deferred tax liabilities related to the Acquisition provide sufficient taxable income to realize the Company's deferred tax assets of $5,362 The income tax benefit related to the reduction in the Company's valuation allowance is not included in the accompanying Unaudited Pro Forma Condensed Combined Statements of Income as it is considered a nonrecurring benefit.

In thousands

e) Accrued expenses and other liabilities were increased to reflect $5,701 estimated Acquisition costs.

f) Deferred revenues represents the unaudited pro-forma adjustment reflecting the decrease in the fair value of Undertone's deferred revenue balance at June 30, 2015, based on the cost of fulfillment plus a normal profit margin, to approximately $957, representing a reduction of $368 from the carrying value. After the Acquisition, the adjustment will be amortized as a reduction in revenue over approximately twelve months as services are performed. The impact is not included in the accompanying Unaudited Pro Forma Condensed Combined Statements of Income as it is considered a nonrecurring charge that will be included in Undertone's statement of income within twelve months following the closing of the Acquisition. The provisional measurements of fair value reflected are subject to change.

g) To record the payment obligation of $43,143 related to Acquisition, of which $4,293 is classified as short term liability and $38,850 as long term liability (see Note 1).

These amounts, including all future interest expenses on the deferred consideration payment, are presented at fair value.

h) On July 1, 2015 Undertone consummated an asset acquisition from Spark Flow LLC, a Delaware company, for approximately $3,000 in cash. The agreement with Spark Flow provides for contingent earn-out payment of up to $3,000, commencing in June 2016 and ending in September 2017. The earn out obligation is included within the deferred payments recorded in connection with the Acquisition of Undertone by the Company, as the Company is obligated to pay such amounts to Undertone’s shareholders if the milestones are not met. The intangible assets recorded in the Acquisition (Note 3) include the fair value of the asset acquired under the acquisition from Spark Flow LLC.

i) Eliminate Undertone’s convertible preferred stock, shareholders’ equity, accumulated other comprehensive income and retained earnings balances.

Total adjustments related to amortization expense of intangible assets are as follows:

	Six months Ended June 30, 2015	Year ended December 31, 2014
Cost of revenues		
Elimination of Undertone’s historical intangible asset amortization	$ (1,753)	$ (2,486)
Estimated amortization of fair value of acquired intangible assets	2,385	14,178
Adjustments to cost of revenues	$ 632	$ 11,692
Selling and marketing		
Estimated amortization of fair value of acquired intangible assets	$ 7,138	$ 15,707
General and administrative		
Elimination of Undertone’s historical intangible asset amortization	$ (284)	$ (381)

In thousands

Perion has not completed the detailed purchase price allocation related to the Acquisition. Perion has determined the fair value of the intangible assets based on discussions with Undertone's management, preliminary valuation studies that are based, inter alia, on similar transactions and industry specific and due diligence. Accordingly, the value assigned to intangible assets and related amortization adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional valuations and analyses are completed. Perion will undertake to complete final valuations of the assets acquired and liabilities assumed from Undertone. There can be no assurance that such final fair values will not result in material changes.

Intangible assets are comprised of technology, customer relationship, trade names and trademarks, backlog and in process R&D. The following estimated useful lives were used in the calculation:

Intangible assets	Useful lives
Technology	5 years
Customer relationship	5 years
Trade names and trademarks	4 years
Backlog	3 months
In process R&D	Amortization will be commenced upon completion of the development

Amortization of technology and backlog is included within cost of sales and amortization of customer-related intangible assets, trade names and trademarks is included in selling and marketing. In process R&D amortization will be included in cost of sales once commenced.

k) Adjustment related to finance income:

	Six months Ended June 30, 2015	Year ended December 31, 2014
Elimination of interest income on cash deposits	$ (187)	$ (45)
interest expense attributed to the debts related to the Acquisition (see note 1, note 4a and note 4g)	1,588	2,720
Adjustment to finance income	$ 1,401	$ 2,675

(i) Taxes on income

Estimated income tax benefit adjustments included in the pro forma statements of income are as follows:

	Six months Ended June 30, 2015	Year ended December 31, 2014
Elimination of Undertone's historical change in deferred taxes associated with the amortization of the purchase accounting adjustments	$ -	$ 58
Estimated change in deferred taxes associated with the amortization of the purchase accounting adjustments	(3,809)	(11,954)
Adjustments to income tax	$ (3,809)	$ (11,896)

In thousands

m) Perion presents a one-step statement of income. Undertone amounts have been reclassified to conform to this presentation. Media buying costs will be presented in a separate line item, so it will be reclassified from “Cost of revenues” to be consistent with Perion’s presentation.

Note 5.Pro Forma Net Income per Ordinary Share

The pro forma basic and diluted net income per ordinary share are based on the weighted average number of ordinary shares of Perion outstanding during each period presented and the effect of the 4,436,898 shares issued in the private placement, as if such shares had been outstanding as of January 1, 2014 for the year ended December 31, 2014 and as of January 1, 2015 for the six months ended June 30, 2015.

Exhibit 99.4

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (Registration Nos. 333-195794 and 333-208785) and Form S-8 (Registration Nos. 333-208278, 333-203641, 333-193145, 333-192376, 333-188714, 333-171781, 333-152010 and 333-133968) of Perion Network Ltd. of our report dated September 21, 2015 relating to the financial statements of Interactive Holding Corp. which appears in this Form 6-K of Perion Network Ltd.

/s/ PricewaterhouseCoopers LLP
New York, New York
December 31, 2015