

ROYAL BANK OF SCOTLAND PLC

Form 424B5

July 18, 2012

The information in this preliminary pricing supplement is not complete and may be changed. A registration statement relating to the securities has been filed with the Securities and Exchange Commission. This preliminary pricing supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale of securities is not permitted.

Subject to Completion

Preliminary Pricing Supplement dated July 18, 2012

Preliminary Pricing Supplement No. 142
to Product Prospectus Supplement No.
EPN-1 dated April 7, 2011
and Prospectus dated May 18, 2010

Filed pursuant to Rule 424(b)(5)
Registration Statement Nos. 333-162219
and 333-162219-01
July 18, 2012

The Royal Bank of Scotland plc (Issuer)
The Royal Bank of Scotland Group plc (Guarantor)

\$
RBS Capped Enhanced Participation Notes™
with Fixed Buffer
Linked to the S&P 500® Index

n 125.00% upside participation at maturity in any increase in the level of the S&P 500® Index, subject to a maximum return of 55.00% - 60.00% over the Original Offering Price.

n Full downside exposure to any decrease in the level of the S&P 500® Index in excess of the 20.00% Buffer Amount. Potential for substantial loss if the level of the S&P 500® Index falls below the Buffer Value.

n Payment at maturity is subject to the creditworthiness of The Royal Bank of Scotland plc, as the issuer, and The Royal Bank of Scotland Group plc, as the guarantor of the issuer's obligations under the securities.

n 4-year term (approximately).

n No periodic interest payments.

n No listing on any securities exchange.

\$1,000 Original Offering Price per RBS Capped Enhanced Participation Note™ with Fixed Buffer
Expected dates*:

Pricing Date: August 24, 2012

Settlement Date: August 29, 2012

Maturity Date: August 29, 2016

CUSIP / ISIN No.: 78009PDC2 / US78009PDC23

*Expected dates. In the event that we make any change to the expected pricing date or settlement date, the maturity date will also be changed. The stated term of the securities will remain the same. See also "Clearance and Settlement" on page PS-13 of this pricing supplement.

The RBS Capped Enhanced Participation Notes™ with Fixed Buffer Linked to the S&P 500® Index due August 29, 2016 (together with the related guarantees, the "securities") involve risks not associated with an investment in conventional debt securities. See "Risk Factors" beginning on page PS-6 of this pricing supplement and beginning on page S-16 of Product Prospectus Supplement No. EPN-1 (the "product supplement").

The securities are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other government agency.

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

The Securities and Exchange Commission and state securities regulators have not approved or disapproved the securities, or determined if this pricing supplement, the product supplement or the prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

	Per security	Total
Original Offering Price (1)	\$1,000.00	\$
Underwriting discount (2)	\$ 38.75	\$
Proceeds, before expenses, to The Royal Bank of Scotland plc	\$ 961.25	\$

(1) The value you might expect to receive if you were able to resell the securities on the pricing date is less than the Original Offering Price. This is because the Original Offering Price includes the underwriting discount set forth above and also reflects our cost of hedging our obligations under the securities. For additional information, see “Risk Factors—The value of your securities on the pricing date is less than the Original Offering Price due to the underwriting discount and our cost of hedging, both of which can be expected to be reflected in secondary market prices” on page S-21 of the product supplement. The Original Offering Price also does not include fees that you may be charged if you buy the securities through your registered investment advisers for managed fee-based accounts.

(2) RBS Securities Inc. (“RBSSI”) will pay marketing fees equal to 0.625% of the face value of the securities to one or more broker-dealers. For additional information, see “Supplemental Plan of Distribution (Conflicts of Interest)” on page PS-13 of this pricing supplement.

RBS
Securities
Inc.
August ,
2012

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

Summary

The RBS Capped Enhanced Participation Notes™ with Fixed Buffer Linked to the S&P 500® Index due August 29, 2016 (together with the related guarantees, each, a “security” and collectively, the “securities”) are senior unsecured obligations issued by us, The Royal Bank of Scotland plc, and are fully and unconditionally guaranteed by our parent company, The Royal Bank of Scotland Group plc. The securities will rank equally with all of our senior unsecured indebtedness from time to time outstanding, and any payments due on the securities, including any repayment of your investment, will be subject to the ability of RBS, as the issuer of the securities, and RBSG, as the guarantor of the issuer’s obligations under the securities, to pay their respective obligations as they become due. The securities provide investors with enhanced upside participation, subject to a maximum return over the Original Offering Price, in an increase, if any, in the level of the S&P 500® Index (the “Underlying Equity Index”) from the Initial Value to the Final Value. Investors will not receive any interest payments, the return on the securities will never exceed the Capped Return, and the Payment at Maturity will never exceed the Maximum Payment per Security. Investors must be willing to accept the risk of losing some or substantially all of their investment.

Capitalized terms used but not defined in this pricing supplement have the meanings set forth in the product supplement.

Key Terms

Issuer:	The Royal Bank of Scotland plc (“RBS”)
Guarantor:	The Royal Bank of Scotland Group plc (“RBSG”)
Original Offering Price:	\$1,000 per security
Term:	4 years (approximately)
Underlying Equity Index:	The S&P 500® Index (Bloomberg ticker: SPX)
Participation Rate:	125.00%. This represents 1.25 times upside participation in any increase in the level of the Underlying Equity Index from the Initial Value to the Final Value, subject to the Capped Return.
Initial Value:	The closing level of the Underlying Equity Index on the pricing date. The Initial Value will be determined by the Calculation Agent and set forth in the final pricing supplement.
Final Value:	The closing level of the Underlying Equity Index on the Valuation Date.
Reference Return:	Measures the percentage increase or decrease in the level of the Underlying Equity Index from the Initial Value to the Final Value, and will be equal to: $\frac{\text{Final Value} - \text{Initial Value}}{\text{Initial Value}}$
Capped Return:	55.00% - 60.00% over the Original Offering Price per security. The Capped Return represents a return over the full term of the security and not an annualized return. The actual Capped Return will be determined on the pricing date and set forth in the final pricing supplement.
Maximum Payment per Security:	\$1,550 - \$1,600 per security. The actual Maximum Payment per Security will be determined on the pricing date and set

Buffer Amount (%):	forth in the final pricing supplement. 20.00% (representing a protection against any decrease in the level of the Underlying Equity Index up to the Buffer Value).
Buffer Value:	80.00% of the Initial Value, rounded to two decimal places. The actual Buffer Value will be determined on the pricing date and set forth in the final pricing supplement.
Valuation Date:	Expected to be August 24, 2016, the third Market Measure Business Day before the Maturity Date. If a Market Disruption Event occurs or is continuing on the scheduled Valuation Date or if the scheduled Valuation Date is not a Market Measure Business Day, the Valuation Date will be postponed as described in the accompanying product supplement under “Description of the Securities—The Initial Value and the Final Value” and “Description of the Securities—Market Disruption Events.”
Maturity Date:	Expected to be August 29, 2016. If the Valuation Date is postponed, the Maturity Date will be the third business day following the Valuation Date, as postponed.
Payment at Maturity:	On the Maturity Date, you will be entitled to receive a cash payment per security determined by the Calculation Agent as described on the following page.
Calculation Agent:	RBS Securities Inc., an affiliate of RBS

PS-2

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

Determining the Payment at Maturity

On the Maturity Date, you will be entitled to receive a cash payment per security calculated as follows:

PS-3

THE ROYAL BANK OF SCOTLAND PLC
 RBS Capped Enhanced Participation Notes™ with Fixed Buffer
 Linked to the S&P 500® Index due August 29, 2016

Examples of Payment at Maturity Calculations

Set forth below are four hypothetical examples of Payment at Maturity calculations (rounded to two decimal places), reflecting the following values and hypothetical data:

- the Participation Rate of 125.00%;
- the Buffer Amount of 20.00% (representing a protection against any decrease in the level of the Underlying Equity Index up to the Buffer Value);
- the hypothetical Initial Value of 1353.64 (the closing level of the Underlying Equity Index on July 16, 2012);
- the hypothetical Buffer Value of 1082.91 (80% of the hypothetical Initial Value, rounded to two decimal places); and
- the hypothetical Capped Return of 57.50% over the Original Offering Price per security (the midpoint of the Capped Return range of 55.00% to 60.00%).

Any payment at maturity is subject to the ability of RBS, as the issuer of the securities, and RBSG, as the guarantor of the issuer's obligations under the securities, to pay their respective obligations as they become due.

EXAMPLE 1 — The hypothetical Final Value is 676.82 (which is 50.00% below the hypothetical Initial Value), representing a decrease in the level of the Underlying Equity Index by more than the Buffer Amount:

$$\text{Reference Return} = \frac{676.82 - 1,353.64}{1,353.64} = -50.00\%$$

Payment at Maturity (per security) = \$1,000 + [\$1,000 x (-50.00% + 20.00%)] = \$700.00 (i.e., a 30.00% loss).

If the level of the Underlying Equity Index has decreased from the Initial Value to the Final Value by a percentage that is greater than the Buffer Amount (i.e., if the Final Value is less than the Buffer Value), your investment will be fully exposed to any decline of the Underlying Equity Index beyond the Buffer Amount, and you could lose some or most (up to 80% of the Original Offering Price) of your investment.

EXAMPLE 2 — The hypothetical Final Value is 1,082.91 (which is 20.00% below the hypothetical Initial Value), representing a decrease in the level of the Underlying Equity Index equal to the Buffer Amount:

$$\text{Reference Return} = \frac{1,082.91 - 1,353.64}{1,353.64} = -20.00\%$$

Payment at Maturity (per security) = \$1,000 (i.e., a 0.00% return).

If the level of the Underlying Equity Index has decreased from the Initial Value to the Final Value by a percentage that is not greater than the Buffer Amount (i.e., if the Final Value is less than the Initial Value, but is equal to or greater than the Buffer Value), the Payment at Maturity will equal the \$1,000 Original Offering Price.

EXAMPLE 3 — The hypothetical Final Value is 1,421.32 (which is 5.00% above the hypothetical Initial Value):

$$\text{Reference Return} = \frac{1,421.32 - 1,353.64}{1,353.64} = 5.00\%$$

Payment at Maturity (per security) will be equal to the lesser of:

(a) $\$1,000 + (\$1,000 \times 125\% \times 5\%) = \$1,062.50$; and

(b) $\$1,000 + (\$1,000 \times 57.50\%) = \$1,575.00$.

Payment at Maturity (per security) = \$1,062.50 (i.e., a 6.25% return).

EXAMPLE 4 — The hypothetical Final Value is 2,030.46 (which is 50.00% above the hypothetical Initial Value):

$$\text{Reference Return} = \frac{2,030.46 - 1,353.64}{1,353.64} = 50.00\%$$

Payment at Maturity (per security) will be equal to the lesser of:

(a) $\$1,000 + (\$1,000 \times 125\% \times 50\%) = \$1,625.00$; and

(b) $\$1,000 + (\$1,000 \times 57.50\%) = \$1,575.00$.

Payment at Maturity (per security) = \$1,575.00 (i.e., a 57.50% return).

The Payment at Maturity cannot exceed the Maximum Payment per Security.

PS-4

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

Hypothetical Payout Profile and Payment at Maturity

For purposes of illustration only, the Hypothetical Payout Profile and Hypothetical Payment at Maturity below reflect the hypothetical returns at maturity and hypothetical payments at maturity per security for a range of hypothetical Final Values of the Underlying Equity Index from +60.00% to -60.00%. Because the Underlying Equity Index is a price return index, the Final Values presented below will not include any income generated by dividends paid on the stocks included in the Underlying Equity Index, which you would otherwise be entitled to receive if you invested in those stocks directly.

The graph and chart reflect the Participation Rate of 125.00%, the Buffer Amount of 20.00%, the hypothetical Initial Value of 1,353.64 (the closing level of the Underlying Equity Index on July 16, 2012), the hypothetical Buffer Value of 1,082.91 (80.00% of the hypothetical Initial Value, rounded to two decimal places), the hypothetical Capped Return of 57.50% over the Original Offering Price per security (the midpoint of the Capped Return range of 55.00% to 60.00%), and the hypothetical Maximum Payment per Security of \$1,575.00 (the midpoint of the Maximum Payment per Security range of \$1,550.00 to \$1,600.00). The actual Payment at Maturity that you are entitled to receive and the resulting return on your investment will depend on the actual Initial Value, Buffer Value, Capped Return and Maximum Payment per Security, each of which will be determined on the pricing date and set forth in the final pricing supplement, and the Final Value, which will be determined on the Valuation Date.

Any payment at maturity is subject to the ability of RBS, as the issuer of the securities, and RBSG, as the guarantor of the issuer's obligations under the securities, to pay their respective obligations as they become due.

HYPOTHETICAL PAYOUT PROFILE

This graph reflects the hypothetical returns on the securities at maturity. The green line reflects the hypothetical returns on the securities, while the dotted line reflects the return of a hypothetical direct investment in the stocks included in the Underlying Equity Index, excluding dividends.

HYPOTHETICAL PAYMENT AT MATURITY

Final Value	Reference Return	Return on the Securities	Payment at Maturity per Security
2165.82	60.00%	57.50%	\$1,575.00
2030.46	50.00%	57.50%	\$1,575.00
1976.31	46.00%	57.50%	\$1,575.00
1895.10	40.00%	50.00%	\$1,500.00
1759.73	30.00%	37.50%	\$1,375.00
1624.37	20.00%	25.00%	\$1,250.00
1489.00	10.00%	12.50%	\$1,125.00

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

1421.32	5.00%	6.25%	\$1,062.50
1353.64	0.00%	0.00%	\$1,000.00
1285.96	-5.00%	0.00%	\$1,000.00
1218.28	-10.00%	0.00%	\$1,000.00
1082.91	-20.00%	0.00%	\$1,000.00
947.55	-30.00%	-10.00%	\$900.00
812.18	-40.00%	-20.00%	\$800.00
676.82	-50.00%	-30.00%	\$700.00
541.46	-60.00%	-40.00%	\$600.00

PS-5

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

Risk Factors

There are important differences between the securities and a conventional debt security. An investment in the securities involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the securities in the “Risk Factors” sections beginning on page S-16 of the product supplement. We also urge you to consult with your investment, legal, accounting, tax, and other advisors before you invest in the securities.

- The securities are not conventional debt securities—they do not pay interest and there is no principal protection; you may lose some or all of your investment in the securities.
- The credit risk of The Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc, and their credit ratings and credit spreads may adversely affect the value of the securities.
- The return on your initial investment is limited to the Capped Return and your Payment at Maturity is limited to the Maximum Payment per Security.
- The Payment at Maturity will depend on the Final Value, which is determined only on a valuation date shortly before the maturity date.
- The securities may not be a suitable investment for you.
- Although we are a bank, the securities are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other government agency.
- The securities will not be listed on any securities exchange and there may be little or no secondary market for the securities.
- The value of the securities prior to maturity will be influenced by many unpredictable factors, and may be less than the Original Offering Price.
- In the event that we or RBSG, as guarantor, exercise our option to redeem the securities, as described in the section of the product supplement entitled “Description of the Securities—Optional Tax Redemption,” the amount of cash you will be entitled to receive upon redemption of the securities is uncertain.
- An increase in the level of the Underlying Equity Index may not increase the value of your securities.
- The value of your securities on the pricing date is less than the Original Offering Price due to the underwriting discount and our cost of hedging, both of which can be expected to be reflected in secondary market prices.
- Hedging and trading activities by us or our affiliates may adversely affect your return on the securities and the value of the securities.
- The holding of securities by our affiliates and future sales by our affiliates could be in conflict with your interests.

- There may be potential conflicts of interest between security holders and the calculation agent or other of our affiliates.
- RBSSI and its affiliates may publish reports, express opinions or provide recommendations that are inconsistent with investing in or holding the securities. Any such reports, opinions or recommendations could affect the value of the Underlying Equity Index and therefore the value of the securities.
- The U.S. federal income tax consequences of an investment in the securities are uncertain.
- An investment in the securities is not the same as a direct investment in the Underlying Equity Index or in the securities that comprise the Underlying Equity Index.
- Adjustments to the Underlying Equity Index could adversely affect the securities.
- We may engage in business with or involving one or more of the issuers of the securities comprising the Underlying Equity Index without regard to your interests.
- We do not control any issuer whose securities comprise the Underlying Equity Index and we are not responsible for any of their disclosure.

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

Investor Considerations

You may wish to consider an investment in the securities if:

- You anticipate that the level of the Underlying Equity Index will increase moderately from the Initial Value to the Final Value.
- You accept that your investment may result in a loss, which could be significant, if the Final Value of the Underlying Equity Index is less than the Initial Value by more than the Buffer Amount.
- You accept that the return on the securities will not exceed the Capped Return.
- You do not seek a current income stream from your investment.
- You are willing to forgo interest payments on the securities such as fixed or floating rate interest paid on traditional interest bearing debt securities.
- You seek exposure to the fluctuations in the level of the Underlying Equity Index with no expectation of dividends or other benefits of owning the securities comprising the Underlying Equity Index.
- You are willing to accept that a trading market is not expected to develop for the securities and you understand that secondary market prices for the securities, if any, will be affected by various factors, including our actual and perceived creditworthiness.
- You are able to and willing to hold the securities until maturity.
- You are willing to make an investment, the payments on which depend on the creditworthiness of RBS, as the issuer of the securities, and RBSG, as the guarantor of the issuer's obligations under the securities.

The securities may not be an appropriate investment for you if:

- You are not willing to be exposed to the fluctuations in the level of the Underlying Equity Index.
- You seek full principal protection or preservation of capital invested.
- You believe the level of the Underlying Equity Index will decrease from the Initial Value or that the level of the Underlying Equity Index will not increase sufficiently over the term of the securities to provide you with your desired return.
- You seek a return on your investment that will not be capped at the Capped Return.
- You seek interest payments or other current income on your investment.
- You want to receive dividends or other distributions paid on the securities included in the Underlying Equity Index.

- You seek assurances that there will be a liquid market if and when you want to sell the securities prior to maturity.
- You are unwilling or are unable to assume the credit risk associated with RBS, as the issuer, and RBSG, as the guarantor of the issuer's obligations under the securities.

PS-7

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

The Underlying Equity Index

We have derived all information contained in this pricing supplement regarding the S&P 500® Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Standard & Poor's Financial Services, LLC ("S&P"). We have not participated in the preparation of, or independently verified, such publicly available information. The S&P 500® Index was developed by S&P and is calculated, maintained and published by S&P. S&P has no obligation to continue to publish, and may discontinue the publication of, the S&P 500® Index.

The S&P 500® Index is reported by Bloomberg L.P. under the ticker symbol "SPX."

The S&P 500® Index is intended to provide a performance benchmark for the U.S. equity markets. The calculation of the level of the S&P 500® Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies (the "S&P Component Stocks") as of a particular time as compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. Historically, the "Market Value" of any S&P Component Stock was calculated as the product of the market price per share and the number of the then-outstanding shares of such S&P Component Stock. As discussed below, on March 21, 2005, S&P began to use a new methodology to calculate the Market Value of the S&P Component Stocks and on September 16, 2005, S&P completed its transition to the new calculation methodology. The 500 companies are not the 500 largest companies listed on the New York Stock Exchange (the "NYSE") and not all 500 companies are listed on such exchange. S&P chooses companies for inclusion in the S&P 500® Index with the objective of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the U.S. equity market. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P 500® Index to achieve the objectives stated above. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the company's common stock is widely-held and the Market Value and trading activity of the common stock of that company.

On March 21, 2005, S&P began to calculate the S&P 500® Index based on a half float-adjusted formula, and on September 16, 2005, the S&P 500® Index became fully float-adjusted. S&P's criteria for selecting stocks for the S&P 500® Index was not changed by the shift to float adjustment. However, the adjustment affects each company's weight in the S&P 500® Index (i.e., its Market Value).

Under float adjustment, the share counts used in calculating the S&P 500® Index reflect only those shares that are available to investors, not all of a company's outstanding shares. S&P defines three groups of shareholders whose holdings are subject to float adjustment:

- holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners, or leveraged buyout groups;
- holdings by government entities, including all levels of government in the United States or foreign countries; and
- holdings by current or former officers and directors of the company, founders of the company or family trusts of officers, directors or founders, as well as holdings of trusts, foundations, pension funds, employee stock ownership plans, or other investment vehicles associated with and controlled by the company.

However, treasury stock, stock options, equity participation units, warrants, preferred stock, convertible stock and rights are not part of the float. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group will be excluded from the float-adjusted count of shares to be used in the S&P 500® Index calculation. Mutual funds, investment advisory firms, pension funds or foundations not associated with the company and investment funds in insurance companies, shares that trust beneficiaries may buy or sell without difficulty or significant additional expense beyond typical brokerage fees, and, if a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class if such shares are convertible by shareholders without undue delay and cost, are also part of the float. Shares held in a trust to allow investors in countries outside the country of domicile (e.g., ADRs, CDIs and Canadian exchangeable shares) are normally part of the float.

For each stock, an investable weight factor (“IWF”) is calculated by dividing the available float shares, defined as the total shares outstanding less shares held in one or more of the three groups listed above where the group holdings exceed 10% of the outstanding shares, by the total shares outstanding. (On March 21, 2005, the S&P 500® Index moved halfway to float adjustment, meaning that if a stock has an IWF of 0.80, the IWF used to calculate the S&P 500® Index between March 21, 2005 and September 16, 2005 was 0.90. On September 16, 2005, S&P began to calculate the S&P 500® Index on a fully float-adjusted basis, meaning that if a stock has an IWF of 0.80, the IWF used to calculate the S&P 500® Index on and after September 16, 2005 is 0.80). The float-adjusted Index is calculated by dividing the sum of the IWF multiplied by both the price and the total shares outstanding for each stock by the Index Divisor. For companies with multiple classes of stock, S&P calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

As of the date of this pricing supplement, the S&P 500® Index is calculated using a base-weighted aggregate methodology: the

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

level of the S&P 500® Index reflects the total Market Value of all 500 S&P Component Stocks relative to the S&P 500® Index's base period of 1941–43 (the "Base Period").

An indexed number is used to represent the results of this calculation in order to make the value easier to work with and track over time.

The actual total Market Value of the S&P Component Stocks during the Base Period has been set equal to an indexed value of 10. This is often indicated by the notation 1941–43=10. In practice, the daily calculation of the S&P 500® Index is computed by dividing the total Market Value of the S&P Component Stocks by a number called the Index Divisor. By itself, the Index Divisor is an arbitrary number. However, in the context of the calculation of the S&P 500® Index, it is the only link to the original Base Period level of the S&P 500® Index. The Index Divisor keeps the S&P 500® Index comparable over time and is the manipulation point for all adjustments to the S&P 500® Index ("Index Maintenance").

Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends and stock price adjustments due to company restructurings or spin-offs.

To prevent the level of the S&P 500® Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P 500® Index require an Index Divisor adjustment. By adjusting the Index Divisor for the change in total Market Value, the level of the S&P 500® Index remains constant. This helps maintain the level of the S&P 500® Index as an accurate barometer of stock market performance and ensures that the movement of the S&P 500® Index does not reflect the corporate actions of individual companies in the S&P 500® Index. All Index Divisor adjustments are made after the close of trading and after the calculation of the closing level of the S&P 500® Index. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P 500® Index and do not require Index Divisor adjustments.

The table below summarizes the types of Index Maintenance adjustments and indicates whether or not an Index Divisor adjustment is required.

Type of Corporate Action	Comments	Divisor Adjustment
Company added/ deleted	Net change in market value determines divisor adjustment.	Yes
Change in shares outstanding	Any combination of secondary issuance, share repurchase or buy back – share counts revised to reflect change.	Yes
Stock split	Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	If the spun-off company is not being added to the index, the divisor adjustment reflects the decline in index market value (i.e., the value of the spun-off unit).	Yes
Spin-off	Spun-off company added to the index, no company removed from index.	No
Spin-off	Spun-off company added to the index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion.	Yes
Change in IWF due to a corporate action or a	Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The divisor change reflects the change in market	Yes

purchase or sale by an inside holder.	value caused by the change to an IWF.	
Special dividend	When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes
Rights offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid.	Yes

Stock splits and stock dividends do not affect the Index Divisor, because following a split or dividend, both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the S&P Component Stock. All stock split and dividend adjustments are made after the close of trading on the day before the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the Index Divisor has the effect of altering the Market Value of the S&P Component Stock and consequently of altering the aggregate Market Value of the S&P Component Stocks (the "Post-Event Aggregate Market Value"). In order that the level of the S&P 500® Index (the "Pre-Event Index Value") not be affected by the altered Market Value (whether increase or decrease) of the affected Component Stock, a new Index Divisor ("New Divisor") is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

A large part of the Index Maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P 500® Index companies. Four times a year, on a Friday close to the end of each calendar quarter, the share totals of companies in the S&P 500® Index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P 500® Index. In addition, any changes over 5% in the current common shares outstanding for the S&P 500® Index companies are carefully reviewed on a weekly basis, and when appropriate, an immediate adjustment is made to the Index Divisor.

License Agreement

S&P has entered into a non-transferable, non-exclusive license agreement granting us and certain of our affiliated or subsidiary companies, in exchange for a fee, the right to use the S&P 500® Index, which is owned and published by S&P, in connection with certain securities, including the securities.

The license agreement between S&P and us provides that the following language must be set forth in this pricing supplement:

The securities are not sponsored, endorsed, sold or promoted by Standard & Poor's Financial Services, LLC. S&P makes no representation or warranty, express or implied, to the owners of the securities or any member of the public regarding the advisability of investing in securities generally or in the securities particularly or the ability of the S&P 500® Index to track general stock market performance. S&P's only relationship to us is the licensing of certain trademarks and trade names of S&P and of the S&P 500® Index which is determined, composed and calculated by S&P without regard to us or the securities. S&P has no obligation to take our needs or the needs of the owners of the securities into consideration in determining, composing or calculating the S&P 500® Index. S&P is not responsible for and has not participated in the determination of the prices and amount of the securities or the timing of the issuance or sale of the securities or in the determination or calculation of the equation by which the securities are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the securities.

NEITHER S&P NOR ITS AFFILIATES GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS OR COMPLETENESS OF THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN OR ANY COMMUNICATIONS, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATIONS (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P AND ITS AFFILIATES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS OR DELAYS THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE MARKS, THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P OR ITS AFFILIATES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE.

“Standard & Poor’s”, “S&P”, “S&P 500”, “Standard & Poor’s 500”, and “500” are trademarks of Standard & Poor’s and have licensed for use by us.

PS-10

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation NotesTM with Fixed Buffer
Linked to the S&P 500[®] Index due August 29, 2016

HISTORICAL INFORMATION

The following chart sets forth the daily historical performance of the S&P 500[®] Index in the period from July 16, 2007 through July 16, 2012. The closing level of the S&P 500[®] Index on July 16, 2012 was 1,353.64. We obtained the closing levels below from Bloomberg, without independent verification. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg.

These historical values for the S&P 500[®] Index are not indicative of the future performance of the S&P 500[®] Index or what the value of the securities will be. Any historical upward or downward trend in the value of the S&P 500[®] Index during any period set forth below is not an indication that the S&P 500[®] Index is more or less likely to increase or decrease at any time during the term of the securities. You cannot predict the future performance of the securities or the S&P 500[®] Index based on the historical performance of the S&P 500[®] Index. Neither we nor RBSG can guarantee that the value of the S&P 500[®] Index will increase.

PS-11

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

Tax Consequences

In the opinion of our U.S. tax counsel, Davis Polk & Wardwell LLP, which is based on current market conditions, it is more likely than not that the securities will be treated as prepaid financial contracts that are not debt for U.S. federal income tax purposes. Under this treatment:

- you should not recognize taxable income or loss prior to the maturity of your securities, other than pursuant to a sale or exchange; and
- your gain or loss on the securities should be capital gain or loss and should be long-term capital gain or loss if you have held the securities for more than one year.

The Internal Revenue Service (the “IRS”) or a court may not agree with this treatment, however, in which case the timing and character of income or loss on your securities could be materially and adversely affected.

In 2007, Treasury and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments, such as the securities. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. persons should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” regime, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect.

You should review carefully the section in the accompanying product supplement entitled “U.S. Federal Income Tax Consequences.” The preceding discussion, when read in combination with that section, constitutes the full opinion of our U.S. tax counsel regarding the material U.S. federal income tax consequences of owning and disposing of the securities.

For a discussion of U.K. tax considerations relating to the securities, you should refer to the section in the accompanying product supplement entitled “Taxation in the United Kingdom.”

You should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities (including possible alternative treatments and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

Supplemental Plan of Distribution (Conflicts of Interest)

We have appointed RBS Securities Inc. (“RBSSI”) as our selling agent for this offering. RBSSI will purchase these securities as principal for its own account at the discount set forth on the cover of this pricing supplement. RBSSI has informed us that, as part of its distribution of the securities, it intends to reoffer the securities to other dealers who will sell the securities. Each such dealer engaged by RBSSI, or further engaged by a dealer to whom RBSSI reoffers the securities, will purchase the securities at an agreed concession, not in excess of the discount that RBSSI will receive from us. RBSSI has informed us that such concessions may vary from dealer to dealer and that not all dealers will purchase or repurchase the securities at the same concession. You can find a general description of the commission rates payable to the selling agents under “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement. In addition, RBSSI will pay fees equal to 0.625% of the face value of securities issued by RBS on the settlement date, to one or more broker-dealers who are FINRA members, in consideration for their role in marketing the securities.

RBSSI is an affiliate of ours and RBSG. RBSSI will conduct this offering in compliance with the requirements of Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm’s distribution of the securities of an affiliate. Following the initial distribution of any of these securities, RBSSI may offer and sell those securities in the course of its business as a broker-dealer. RBSSI may act as principal or selling agent in those transactions and will make any sales at varying prices related to prevailing market prices at the time of sale or otherwise. RBSSI may use this pricing supplement and the accompanying prospectus and product supplement, in connection with any of those transactions. RBSSI is not obligated to make a market in any of these securities and may discontinue any market-making activities at any time without notice.

We and our affiliates, including RBSSI, may enter into one or more hedging transactions in connection with this offering of securities. See “Use of Proceeds; Hedging” in the accompanying product supplement.

To the extent the total aggregate amount of the securities being offered by this pricing supplement is not purchased by investors in the offering, one or more of our affiliates has agreed to purchase the unsold portion, which may constitute up to 15.00% of the total aggregate amount of the securities, and to hold such securities initially for its own investment purposes. See “The holding of securities by our affiliates and future sales by our affiliates could be in conflict with your interests” under the heading “Risk Factors” and “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement.

Clearance and Settlement

We may deliver the securities against payment therefor on a date that is greater than three business days following the pricing date. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree to otherwise. Accordingly, if the initial settlement of the securities occurs more than three business days from the pricing date, purchasers who wish to trade the securities more than three business days prior to the original issue date of the securities will be required to specify alternative arrangements to prevent a failed settlement.

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation NotesTM with Fixed Buffer
Linked to the S&P 500[®] Index due August 29, 2016

Where You Can Find More Information

RBS has filed a registration statement (including a prospectus) with the Securities and Exchange Commission, or SEC, for the offering to which this pricing supplement relates. Before you invest, you should read the prospectus in that registration statement and other documents, including the applicable product supplement, related to this offering that RBS has filed with the SEC for more complete information about RBS and the offering of the securities.

You may get these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, RBS, any underwriter or any dealer participating in this offering will arrange to send you the prospectus and product supplement if you request by calling toll free (866) 747-4332.

You should read this pricing supplement together with the prospectus dated May 18, 2010, and the more detailed information contained in the product supplement dated April 7, 2011. This pricing supplement, together with the documents listed below, contains the terms of the securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Risk Factors” in the accompanying product supplement, as the securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the securities.

You may access these documents on the SEC website at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Product Prospectus Supplement No. EPN-1 dated April 7, 2011:
http://www.sec.gov/Archives/edgar/data/729153/000095010311001325/dp21933_424b5.htm
- Prospectus dated May 18, 2010:
http://www.sec.gov/Archives/edgar/data/729153/000095010310001492/dp17682_424b2.htm

Our Central Index Key, or CIK, on the SEC website is 729153. Unless otherwise indicated or unless the context requires otherwise, all references in this document to “we,” “us” and “our” or similar references are to The Royal Bank of Scotland plc.

The securities are our unsecured and unsubordinated obligations issued as part of our RBS NotesSM program and guaranteed by RBSG. RBS NotesSM is a service mark of The Royal Bank of Scotland N.V., one of our affiliates.

We reserve the right to withdraw, cancel or modify any offering of the securities and to reject orders in whole or in part prior to their issuance.

THE ROYAL BANK OF SCOTLAND PLC
RBS Capped Enhanced Participation Notes™ with Fixed Buffer
Linked to the S&P 500® Index due August 29, 2016

Four Categories of RBS Investor Products

RBS Investor Products is the brand name for RBS's securities offerings that provide market-driven investment solutions across different asset classes and investor risk profiles to help meet your portfolio needs. RBS Investor Products are divided into four broad categories depending on the level of risk to your principal invested at maturity: Protection, Fixed Buffer, Contingent Buffer and Full Exposure. These broad categories are intended to help you to first understand the degree of your principal at risk at maturity, before you consider the upside potential of RBS Investor Products. The following description is only an overview of the four categories of RBS Investor Products, and does not represent any particular security nor guarantee performance. All payments due on RBS Investor Products are subject to the credit risk of RBS, as the issuer, and RBSG, as the guarantor of the issuer's obligations under the securities.

Protection investments provide for full or partial protection on your invested principal at maturity against downside market movements, subject to the creditworthiness of the issuer and the guarantor. These securities are designed for investors who place a priority on the preservation of principal at maturity, while potentially offering better returns than traditional fixed income investments. These securities tend to have a longer term than securities that do not offer protection, and principal invested is not protected prior to maturity.

Fixed Buffer investments provide a modest buffer at maturity against downside market movements. These securities are designed for investors who seek potential growth or income, and who also seek some cushion against modest market declines up to a specified buffer. You are exposed to the full market decline in the underlying asset beyond the specified buffer, and you can lose some or a substantial portion of your investment.

Contingent Buffer investments provide some protection against downside market movements only if the underlying asset does not fall to or below a specified level during the term of the securities. If the underlying asset falls to or below this specified level, you are exposed to the full market decline in the underlying asset at maturity without any cushion against downside market movements. These investments are for more aggressive investors who can tolerate full downside risk but find the contingent buffer to be an appealing form of tactical cushion. You can lose some or all of your investment.

Full Exposure investments expose investors to full downside risk to any decline in the underlying asset. These investments are meant for investors who are willing to take full market risk in return for either enhanced appreciation or access to a unique underlying asset or strategy. You can lose some or all of your investment.

RBS Investor Products can provide access to a range of asset classes and risk and potential return profiles. These investments can play an important role as a portion of a diversified investment portfolio. In assessing the potential return of any RBS Investor Product, you should understand that these securities involve significant investment risks, and you should carefully review the applicable pricing supplement, product supplement and prospectus before investing.

PS-15

E="border-bottom:1px solid #000000">Gross
Unrealized
Losses Estimated
Fair Value

Available-for-sale debt securities

Due in one year or less

\$24,797 \$2 \$7 \$24,792

Due after one year and through five years

4,812 1 1 4,812

\$29,609 \$3 \$8 \$29,604

The following is a summary of marketable securities (designated as available-for-sale) at December 31, 2011 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government agency bonds	\$ 9,614	\$ 1	\$ 1	\$ 9,614
Certificate of deposit	2,730			2,730
Commercial paper	1,749			1,749
Corporate notes and bonds	5,757	1	1	5,757
	19,850	2	2	19,850
Publicly traded common stock	12	39		51
Total marketable securities	\$ 19,862	\$ 41	\$ 2	\$ 19,901

The amortized cost and estimated fair value of marketable securities (designated as available-for-sale) at December 31, 2011, by maturity, are shown below (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities				
Due in one year or less	\$ 19,850	\$ 2	\$ 2	\$ 19,850
Due after one year and through five years				
	\$ 19,850	\$ 2	\$ 2	\$ 19,850

4. Business Acquisitions

AcceloWeb, (IL) Ltd. Acquisition

On May 9, 2011, the Company acquired all the issued and outstanding shares of AcceloWeb, (IL) Ltd. (AcceloWeb), a Tel Aviv, Israel-based privately-held provider of advanced technology that helps speed the presentation of websites and applications. The services provided by AcceloWeb align with the Company's current whole site acceleration strategy, providing a time to market advantage over development of a new

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

product and furthers the Company's value-added services growth strategy. The aggregate purchase price consisted of approximately \$5.0 million of cash paid at the closing (cash paid net of cash acquired was \$4.7 million) and 1,100,629 shares of the Company's common stock with an estimated fair value of approximately \$7.0 million on the acquisition date. The number of common shares issued at the closing was determined on the basis of the average closing market price of the Company's common shares on the five days preceding the acquisition date. In addition, the purchase price included contingent consideration with an aggregate potential value of \$8.0 million (\$4.0 million payable in cash and \$4.0 million payable in the Company's common stock), which may be earned upon the achievement of certain performance milestones which will be measured quarterly during the eight full consecutive quarters ending June 30, 2013 (the Earn-Out).

During the quarter ended March 31, 2012, management determined that the achievement of the certain performance milestones was not probable and reversed the previously recorded earn-out liability of \$0.8 million. The reversal has been reflected as a reduction to general and administrative expense in the accompanying condensed consolidated statement of operations for the six month period ended June 30, 2012.

Under the terms of the merger agreement, 188,677 shares of the common stock portion of the purchase price with an estimated fair value on the acquisition date of approximately \$1.2 million has been set aside in an escrow account and will be held for a period of up to 18 months following the closing date to satisfy any unresolved indemnification claims. Any potential claims will be settled

Table of Contents

from escrow with the number of shares of common stock calculated based on the amount of the claim divided by \$6.36, adjusted to such number of shares of common stock for stock splits, reverse stock splits, spin offs, recapitalizations, reorganization, reclassification, stock dividends, or similar events. Escrow amounts not then subject to a settled or pending, unsatisfied or unresolved indemnity claims, will be released as soon as practicable following the end of the 18-month escrow period. The Company has not recognized any indemnification assets as of June 30, 2012.

For additional information and a more detailed description of the AcceloWeb acquisition, see Note 4, contained in the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2011 included in the Company's Annual Report on Form 10-K filed with the SEC on March 2, 2012.

Clickability Acquisition

On May 2, 2011, the Company acquired all the issued and outstanding shares of Clickability, Inc. (Clickability), a privately-held SaaS provider of web content management located in San Francisco, California. The services provided by Clickability align with the Company's current value-added services and furthers the Company's value-added services growth strategy. The aggregate purchase price consisted of approximately \$4.9 million of cash paid at the closing (cash paid net of cash acquired was \$2.7 million), \$0.1 million held by the Company to cover future claims and 732,000 shares of the Company's common stock with an estimated fair value of approximately \$4.6 million on the date of acquisition. The Company issued 382,000 common shares with an estimated fair value of approximately \$2.4 million at the closing. The number of shares of the Company's common stock issued as consideration for Clickability was determined on the basis of the average closing market price of the Company's common shares on the thirty days preceding the acquisition date.

Under the terms of the merger agreement, approximately 350,000 shares of the common stock portion of the purchase price with an estimated fair market value on the acquisition date of approximately \$2.2 million and \$0.1 million of cash remained unissued and available to cover future claims. Approximately 140,000 of the shares of common stock were subject to a retention holdback for a period of up to 12 months following the closing date and these shares were issued by the Company on May 2, 2012. The remaining 210,000 shares of common stock are subject to an indemnification holdback for a period of up to 18 months following the closing date. Any potential claims will be settled from escrow with the number of shares of common stock calculated based on the amount of the claim divided by \$6.83, adjusted to such number of shares of common stock for stock splits, reverse stock splits, spin offs, recapitalizations, reorganization, reclassification, stock dividends, or similar events. Amounts of the indemnification holdback not then subject to a settled or pending indemnity claim will be released as soon as practicable following the end of the 18 month holdback period. The Company has not recognized any indemnification assets as of June 30, 2012.

For additional information and a more detailed description of the Clickability acquisition, see Note 4, contained in the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2011 included in the Company's Annual Report on Form 10-K filed with the SEC on March 2, 2012.

5. Discontinued Operations

On September 1, 2011, the Company completed the sale of its EyeWonder and chors rich media advertising services to DG for net proceeds of \$61.0 million (\$66.0 million gross cash proceeds less \$5.0 million held in escrow) plus an estimated \$10.9 million receivable from DG pursuant to the Purchase Agreement dated as of August 30, 2011 by and among the Company, DG and Limelight Networks Germany GmbH. The \$5.0 million held in escrow is intended to cover DG's ordinary operating expenses associated with the integration of EyeWonder and chors. The Company estimates that it will not receive any portion of the funds held in escrow and has excluded such amount from its calculation of the gain on sale of discontinued operations. The Purchase Agreement also includes a provision that would require the Company to refund a portion of the purchase price equal to 1.67 times the amount that revenue related to a chors customer is below \$4.4 million during the period from September 1, 2011 to August 31, 2012. As of June 30, 2012, the Company has estimated that the revenue related to this customer will not be below \$4.4 million and has not recorded a liability related to this payment as it is not deemed probable. If such a payment is required the Company would record a reduction to the net proceeds on sale of EyeWonder and chors resulting in a loss on discontinued operations.

The \$10.9 million receivable from DG was determined by the Company based on estimated future cash payments equal to the excess of certain current assets over certain current liabilities of EyeWonder and chors as of August 30, 2011, as defined in the Purchase Agreement (the Net Working Capital). The Company has estimated the Net Working Capital based on its determination of the current assets and current liabilities in accordance with the relevant provisions of the Purchase Agreement. As of August 31, 2011, the estimated Net Working Capital related to EyeWonder and chors was comprised of the following (in thousands):

Table of Contents

Current assets	
Cash and cash equivalents	\$ 2,677
Accounts receivable	9,643
Income tax receivables	500
Other current assets	528
Total current assets	13,348
Current liabilities	
Accounts payable and other current liabilities	(2,494)
Net Working Capital	\$ 10,854

Under the terms of the Purchase Agreement, prior to the Company receiving any additional cash payments from DG, the current liabilities must be settled with cash and cash equivalents and the value of the other current assets. As of August 31, 2011, the excess of the cash and cash equivalents and other current assets over the current liabilities was \$0.7 million, with this portion of the Net Working Capital payable to the Company. DG is required to pay the Company the remaining Net Working Capital as the accounts receivable of \$9.6 million and income tax receivable of \$0.5 million are collected. As of June 30, 2012 approximately \$7.4 million of the receivables have been collected by DG and \$6.8 million remitted by DG to the Company. As of June 30, 2012, the remaining receivable from DG was approximately \$3.1 million reflecting cash payments received from DG and other adjustments occurring during the six months ended June 30, 2012. During the three and six months ended June 30, 2012, the Company made certain adjustments totaling \$0.4 million and \$0.9 million, respectively, to the receivable from DG which have been reflected as a charge to discontinued operations. The Company has assessed the collectability of the income tax receivable and the accounts receivable and has recorded its estimate of the amount expected to be collected based on historical experience and the financial condition of the underlying customers. The Company's estimate of collectability could change significantly if the financial condition of the underlying customers changes or if the economy in general deteriorates. Changes to the Company's estimate of future cash payments will be reflected as an adjustment to income (loss) from discontinued operations. After 120 days from the closing of the sale of EyeWonder and chors (the Receivables Collection Period), the Company and DG have the option to have the uncollected accounts receivable assigned to the Company. Following the expiration of the Receivables Collections Period, DG and the Company may mutually agree to extend the Receivables Collections Period in 60 day increments. As of June 30, 2012, DG and the Company had agreed to extend the Receivables Collection Period and the accounts receivable were not assigned to the Company.

The sale of EyeWonder and chors meets the criteria to be reported as discontinued operations. Accordingly, the operating results of EyeWonder and chors have been reclassified to discontinued operations in the accompanying condensed consolidated statements of operations. The Company includes only revenues and costs directly attributable to the discontinued operations, in determining income (loss) from discontinued operations, and not those attributable to the ongoing entity. Accordingly, no general corporate overhead costs have been allocated to discontinued operations. Operating results of discontinued operations for the three and six months ended June 30, 2012 and 2011, respectively, and the year ended December 31, 2011, are as follows (in thousands):

	Three Months Ended		Six Months Ended		Year Ended December 31, 2011(a)
	June 30,		June 30,		
	2012	2011	2012	2011	
Revenues	\$	\$ 8,981	\$	\$ 17,395	\$ 22,302
Cost of revenues		(3,484)		(6,630)	(8,843)
General and administrative expenses	17	(1,964)	163	(4,162)	(6,055)
Sales and marketing expenses		(3,094)		(6,190)	(8,183)
Research and development expenses		(1,776)		(3,703)	(4,853)
Depreciation and amortization		(1,415)		(2,819)	(3,761)
Interest expense		(5)		(11)	(16)
Interest income		5		8	21
Other income		1		28	(525)
	(408)		(863)		14,756

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

Gain (loss) on sale of discontinued operations, net of income taxes

(Loss) income before income taxes	(391)	(2,751)	(700)	(6,084)	4,843
Income tax benefit (expense)		15			(65)

(Loss) income from discontinued operations	\$ (391)	\$ (2,766)	\$ (700)	\$ (6,084)	\$ 4,778
--	----------	------------	----------	------------	----------

(Loss) income from discontinued operations per weighted average share:

Basic and diluted	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.06)	\$ 0.05
-------------------	-----------	-----------	-----------	-----------	---------

Shares used in per weighted average share calculation for discontinued operations:

Basic and diluted	102,783	113,113	103,505	108,515	109,236
-------------------	---------	---------	---------	---------	---------

(a) Includes operating results of chors and EyeWonder from January 1, 2011 through August 31, 2011.

Table of Contents**6. Accounts Receivable, net**

Accounts receivable, net include (in thousands):

	As of June 30, 2012	As of December 31, 2011
Accounts receivable	\$ 24,301	\$ 24,260
Unbilled accounts receivable	7,802	8,176
	32,103	32,436
Less: credit allowance	(710)	(810)
Less: allowance for bad debt	(3,210)	(3,581)
Total accounts receivable, net	\$ 28,183	\$ 28,045

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets include (in thousands):

	As of June 30, 2012	As of December 31, 2011
Prepaid bandwidth and backbone services	\$ 3,251	\$ 2,544
Receivable from DG	3,141	11,151
Non-income taxes receivable (VAT)	1,472	2,067
Employee advances and prepaid recoverable commissions	428	332
Indemnity claim asset		252
Other	4,495	4,300
Total prepaid expenses and other current assets	\$ 12,787	\$ 20,646

See further discussion of the receivable from DG in Note 5, Discontinued Operations.

8. Goodwill and Other Intangible Assets

The Company has recorded goodwill and other intangible assets as a result of its business acquisitions. Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. In each of the Company's acquisitions, the objective of the acquisition was to expand the Company's product offerings and customer base and is expected to achieve synergies related to cross-selling opportunities, all of which contributed to the recognition of goodwill.

The changes in the carrying amount of goodwill for the six months ended June 30, 2012 were as follows (in thousands):

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

Balance, January 1, 2012	\$ 80,105
Foreign currency translation adjustment	199
Balance, March 31, 2012	80,304
Foreign currency translation adjustment	(442)
Balance, June 30, 2012	\$ 79,862

Table of Contents

Other intangible assets that are subject to amortization consist of the following (in thousands):

	As of June 30, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Existing technologies	\$ 8,220	\$ (2,943)	\$ 5,277
Customer relationships	3,412	(1,008)	2,404
Trademark	160	(153)	7
 Total other intangible assets	 \$ 11,792	 \$ (4,104)	 \$ 7,688

	As of December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Existing technologies	\$ 8,347	\$ (1,976)	\$ 6,371
Customer relationships	3,412	(589)	2,823
Trade names and trademark	160	(147)	13
 Total other intangible assets	 \$ 11,919	 \$ (2,712)	 \$ 9,207

Aggregate expense related to amortization of other intangible assets included in continuing operations for the three months ended June 30, 2012 and 2011, respectively, was approximately \$0.7 million and \$0.6 million, respectively. For the six months ended June 30, 2012 and 2011, respectively, aggregate expense related to the amortization of other intangible assets was approximately \$1.4 million and \$0.8 million, respectively. Based on the Company's other intangible assets as of June 30, 2012, aggregate expense related to amortization of other intangible assets is expected to be \$1.4 million for the remainder of 2012, and \$2.8 million, \$2.1 million, \$1.1 million and \$0.3 million for fiscal years 2013, 2014, 2015 and 2016 and beyond, respectively.

9. Property and Equipment, net

Property and equipment, net include (in thousands):

	As of June 30 , 2012	As of December 31, 2011
Network equipment	\$ 183,168	\$ 176,307
Computer equipment	9,919	9,129
Furniture and fixtures	2,593	2,480
Leasehold improvements	6,790	6,775
Other equipment	436	453
	202,906	195,144
Less: accumulated depreciation	(153,289)	(138,776)

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

Total property and equipment, net \$ 49,617 \$ 56,368

10. Other Assets

Other assets include (in thousands):

	As of June 30, 2012	As of December 31, 2011
Prepaid bandwidth and backbone services	\$ 8,302	\$ 7,373
Cost basis investment (Gaikai)	1,971	1,444
Vendor deposits and other	1,105	1,384
Deferred expenses	180	253
Total other assets	\$ 11,558	\$ 10,454

In May 2010, the Company made a strategic investment in Gaikai Inc. (Gaikai), a private cloud-based gaming technology company that allows users to play major PC and console games through a web browser. In June 2012, Sony Computer Entertainment entered into a definitive agreement to acquire Gaikai for approximately \$380 million. The Company expects to receive gross proceeds of approximately \$11 million related to the sale and will record the transaction when the sale is completed.

Table of Contents**11. Other Current Liabilities**

Other current liabilities consist of the following (in thousands):

	As of June 30, 2012	As of December 31, 2011
Accrued compensation and benefits	\$ 4,959	\$ 4,421
Accrued legal fees	1,743	1,507
Accrued cost of revenue	1,499	3,027
Customer deposits	1,249	847
Non income taxes payable	523	633
Contingent consideration liability	58	152
Other accrued expenses	2,629	2,608
 Total other current liabilities	 \$ 12,660	 \$ 13,195

12. Other Long-Term Liabilities

Other long-term liabilities consist of the following (in thousands):

	As of June 30, 2012	As of December 31, 2011
Deferred rent	\$ 3,737	\$ 3,352
Contingent consideration liability		842
 Total other long-term liabilities	 \$ 3,737	 \$ 4,194

13. Contingencies***Akamai Litigation***

In June 2006, Akamai Technologies, Inc., or Akamai, and the Massachusetts Institute of Technology, or MIT, filed a lawsuit against the Company in the United States District Court for the District of Massachusetts alleging that the Company was infringing two patents assigned to MIT and exclusively licensed by MIT to Akamai, United States Patent No. 6,553,413 (the 413 patent) and United States Patent No. 6,108,703 (the 703 patent). In September 2006, Akamai and MIT expanded their claims to assert infringement of a third, recently issued patent United States Patent No. 7,103,645 (the 645 patent). In February 2008, a jury returned a verdict in this lawsuit, finding that the Company infringed four claims of the 703 patent at issue and rejecting the Company's invalidity defenses for the period April 2005 through December 31, 2007. The jury awarded an aggregate of approximately \$45.5 million which includes lost profits, reasonable royalties and price erosion damages. In addition, the jury awarded prejudgment interest which the Company estimated to be \$2.6 million at December 31, 2007. The Company recorded an aggregate \$48.1 million as a provision for litigation as of December 31, 2007. During the year ended December 31, 2008, the Company estimated its revenue from alleged infringing methods totaled approximately 25% of total revenue. The Company recorded a potential additional provision for litigation totaling \$15.5 million, plus additional interest of \$2.0 million, for the year ended December 31, 2008. The total provision for litigation at December 31, 2008 was \$65.6 million.

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

On July 1, 2008, the court denied the Company's Motions for Judgment as a Matter of Law (JMOL), Obviousness, and a New Trial. The court also denied Akamai's Motion for Permanent Injunction as premature and its Motions for Summary Judgment regarding the Company's equitable defenses. The court conducted a bench trial in November 2008 regarding the Company's equitable defenses. The Company also filed a motion for reconsideration of the court's earlier denial of the Company's motion for JMOL. The Company's motion for JMOL was based largely upon a clarification in the standard for a finding of joint infringement articulated by the Federal Circuit in the case of *Muniauction, Inc. v. Thomson Corp.* (the *Muniauction Case*), released after the court denied the Company's initial motion for JMOL. On April 24, 2009, the court issued its order and memorandum setting aside the adverse jury verdict and ruling that the Company did not infringe Akamai's '703 patent and that the Company is entitled to judgment as a matter of law. Based upon the court's April 24, 2009 order, the Company has reversed the \$65.6 million provision for litigation previously recorded for this lawsuit as the Company no longer believes that payment of any amounts represented by the litigation provision is probable. The court entered final judgment in favor of the Company on May 22, 2009, and Akamai filed its notice of appeal of the court's decision on May 26, 2009. The court heard arguments by both parties on June 7, 2010. On December 20, 2010, the Court of Appeals for the Federal Circuit issued its opinion affirming the District Court's entry of judgment in the Company's favor. On

Table of Contents

February 18, 2011, Akamai filed a motion with the Court of Appeals for the Federal Circuit seeking a rehearing and rehearing *en banc*. On April 21, 2011, the Court of Appeals for the Federal Circuit issued an order denying the petition for rehearing, granting the petition for rehearing *en banc*, vacating the December 20, 2010 opinion affirming the District Court's entry of judgment in the Company's favor, and reinstated the appeal. On November 18, 2011, the Federal Circuit heard oral argument regarding the case. The Company believes that it presented its case and positions well both in the briefs and in oral argument. The issues in this case are complex, and it is likely that it will be several months before the Federal Circuit publishes its opinion in the case. The Company believes that it does not infringe Akamai's patents and will continue to vigorously defend its position. In light of the favorable ruling from the Court of Appeals, the Company does not believe that a loss is probable. Therefore, no provision for this lawsuit is recorded in its financial statements.

Legal and other expenses associated with this case have been significant. The Company includes these litigation expenses in general and administrative expenses as incurred, as reported in its consolidated statement of operations.

Other Litigation

The Company is subject to various other legal proceedings and claims, either asserted or unasserted, arising in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe the outcome of any of these matters will have a material adverse effect on its business, financial position, results of operations or cash flows.

Other Matters

The Company is subject to indirect taxation in various states and foreign jurisdictions. Laws and regulations that apply to communications and commerce conducted over the Internet are becoming more prevalent, both in the United States and internationally, and may impose additional burdens on the Company conducting business online or providing Internet-related services. Increased regulation could negatively affect the Company's business directly, as well as the businesses of its customers. Tax authorities in various states and abroad may impose taxes on the Internet-related revenue the Company generates based on regulations currently being applied to similar but not directly comparable industries. There are many transactions and calculations where the ultimate tax determination is uncertain. In addition, domestic and international taxation laws are subject to change. In the future, the Company may come under audit, which could result in changes to its tax estimates. The Company believes it maintains adequate tax reserves to offset potential liabilities that may arise upon audit. Although the Company believes its tax estimates and associated reserves are reasonable, the final determination of tax audits and any related litigation could be materially different than the amounts established for tax contingencies. To the extent these estimates ultimately prove to be inaccurate, the associated reserves would be adjusted, resulting in the recording of a benefit or expense in the period in which a final determination is made.

14. Net Loss per Share

The Company calculates basic and diluted earnings per weighted average share based on net income (loss). The Company uses the weighted-average number of common shares outstanding during the period for the computation of basic earnings per share. Diluted earnings per share include the dilutive effect of convertible stock options and restricted stock units (RSUs) in the weighted-average number of common shares outstanding. Net income (loss) from continuing operations is utilized in determining whether potential common shares are dilutive or antidilutive for purposes of computing diluted net income (loss) per share.

The following table sets forth the components used in the computation of basic and diluted net loss per share for the periods indicated (in thousands, except per share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Net loss from continuing operations	\$ (9,437)	\$ (11,169)	\$ (19,134)	\$ (17,669)
Net loss from discontinued operations	(391)	(2,766)	(700)	(6,084)
Net loss available to common stockholders	\$ (9,828)	\$ (13,935)	\$ (19,834)	\$ (23,753)

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

Basic weighted average common shares	102,783	113,113	103,505	108,515
Basic weighted average common shares	102,783	113,113	103,505	108,515
Dilutive effect of stock options and restricted stock units				
Diluted weighted average common shares	102,783	113,113	103,505	108,515
Basic and diluted loss per share:				
Continuing operations	\$ (0.10)	\$ (0.10)	\$ (0.18)	\$ (0.16)
Discontinued operations	(0.00)	(0.02)	(0.01)	(0.06)
Basic and diluted net loss per share	\$ (0.10)	\$ (0.12)	\$ (0.19)	\$ (0.22)

Table of Contents

For the three and six month periods ended June 30, 2012 and 2011, outstanding options and restricted stock units of approximately 2.0 million and 2.2 million, respectively, and approximately 4.8 million and 5.3 million, respectively, were excluded from the computation of diluted net loss per common share because including them would have been anti-dilutive.

15. Stockholders Equity**Common Stock**

On May 3, 2012, the Company announced a second common stock repurchase plan that authorizes the Company to repurchase up to \$15 million of its shares of common stock, exclusive of any commissions, markups or expenses, from time to time through December 15, 2012. Any repurchased shares will be cancelled and return to authorized but unissued status. During the period May 3, 2012 through June 30, 2012, the Company repurchased and cancelled approximately 4.5 million shares of common stock for approximately \$11.9 million under the repurchase plan.

On September 12, 2011, the Company's board of directors approved a repurchase plan that authorized the Company to purchase up to \$25 million of its shares of common stock, exclusive of any commissions, markups or expenses, from time to time through March 12, 2012. During the six month period ended June 30, 2012, the Company purchased approximately 0.3 million shares. Any purchased shares were cancelled and returned to authorized but unissued status. During the period September 12, 2011 through March 12, 2012, the Company repurchased and cancelled approximately 9.7 million shares of common stock for approximately \$25.0 million (\$25.2 million including commissions) under the repurchase plan. The Company's initial repurchase plan is now complete.

16. Share-Based Compensation

The following table summarizes the components of share-based compensation expense included in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2012 and 2011 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Share-based compensation expense by type of award:				
Stock options	\$ 1,833	\$ 2,586	\$ 3,774	\$ 4,883
Restricted stock awards and units	1,388	2,286	3,398	3,822
Total share-based compensation expense	\$ 3,221	\$ 4,872	\$ 7,172	\$ 8,705
Effect of share-based compensation expense on statement of operations by categories:				
Cost of services	\$ 485	\$ 716	\$ 991	\$ 1,292
General and administrative expense	1,290	1,769	3,067	3,039
Sales and marketing expense	829	1,099	1,666	2,237
Research and development expense	617	1,288	1,448	2,137
Total cost related to share-based compensation expense	\$ 3,221	\$ 4,872	\$ 7,172	\$ 8,705

Unrecognized share-based compensation expense totaled \$25.5 million at June 30, 2012, of which approximately \$15.0 million related to stock options and approximately \$10.5 million related to restricted stock awards and units. The Company currently expects to recognize share-based compensation expense of approximately \$7.5 million during the remainder of 2012, \$9.6 million in 2013 and the remainder thereafter based upon the scheduled vesting of the stock options, restricted stock awards and units outstanding at June 30, 2012.

17. Related Party Transactions

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

The Company leases office space to an entity in which a member of its board of directors has an ownership interest. During the three and six months ended June 30, 2012, the Company invoiced this entity approximately \$0 and \$15,640, respectively, for office space rental. During the three and six months ended June 30, 2011, the Company invoiced this entity approximately \$30,329 for office space rental.

Table of Contents

The Company sells services to entities owned, in whole or in part, by certain of the Company's executive staff and board of directors. Revenue derived from related parties was approximately 1% of total revenue for the three and six months ended June 30, 2012 and 2011.

Total outstanding accounts receivable from all related parties as of June 30, 2012 and December 31, 2011 was approximately \$0.9 million and \$0.4 million, respectively.

18. Leases and Commitments***Operating Leases***

The Company is committed to various non-cancelable operating leases for office space and office equipment which expire through 2019. Certain leases contain provisions for renewal options and rent escalations upon expiration of the initial lease terms. Approximate future minimum lease payments over the remaining lease periods as of June 30, 2012 are as follows (in thousands):

2012	\$ 1,949
2013	3,452
2014	2,886
2015	2,661
2016 and thereafter	6,088
Total minimum payments	\$ 17,036

Purchase Commitments

The Company has long-term commitments for bandwidth usage and co-location with various networks and Internet service providers, or ISPs. The following summarizes minimum commitments as of June 30, 2012 (in thousands):

2012	\$ 21,435
2013	28,261
2014	19,140
2015	15,448
2016 and thereafter	3,675
Total minimum payments	\$ 87,959

Capital Leases

The Company leases equipment under capital lease agreements which extend through 2016. As of June 30, 2012 and December 31, 2011, the outstanding balance for capital leases was approximately \$3.0 million and \$3.9 million, respectively. As of June 30, 2012 and December 31, 2011, the Company has recorded assets under capital lease obligations of approximately \$4.8 million and \$4.7 million, respectively. Related accumulated amortization totaled approximately \$2.2 million and \$1.4 million, respectively, as of June 30, 2012 and December 31, 2011. The assets acquired under capital leases and the related accumulated amortization is included in property and equipment, net in the condensed consolidated balance sheets. The related amortization is included in depreciation and amortization expense in the condensed consolidated statements of operations. Interest expense related to capital leases was approximately \$46,000 and \$38,000, respectively, for the three months ended June 30, 2012 and 2011, respectively. For the six months ended June 30, 2012 and 2011, interest expense related to capital leases was approximately \$97,000 and \$74,000, respectively.

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

Future minimum capital lease payments at June 30, 2012 are as follows (in thousands)

2012	\$ 946
2013	1,378
2014	498
2015	238
2016 and thereafter	133
Total	3,193
Amounts representing interest	(200)
Present value of minimum lease payments	\$ 2,993

Table of Contents**19. Income taxes**

Income taxes for the interim periods presented have been included in the accompanying condensed consolidated financial statements on the basis of an estimated annual effective tax rate. Based on an estimated annual effective tax rate and discrete items, the estimated income tax expense from continuing operations for the six months ended June 30, 2012 and 2011 was approximately \$0.3 million and \$0.6 million, respectively. Income tax expense on the loss from continuing operations before taxes was different than the statutory income tax rate primarily due to the Company providing for a valuation allowance on deferred tax assets in certain jurisdictions, and the recording of state and foreign tax expense for the quarter.

The Company files U.S. federal, U.S. state, and foreign income tax returns. For U.S. federal, and in general for U.S. state tax returns, the fiscal 2008 through fiscal 2010 tax years remain open for examination by tax authorities. As of June 30, 2012, the Company is not under any Federal examination.

20. Concentrations

For the three and six months ended June 30, 2012 and 2011, respectively, Netflix, Inc. represented approximately 11% of the Company's total revenue.

Revenue from sources outside North America totaled approximately \$14.0 million and \$27.8 million, respectively, for the three and six months ended June 30, 2012. For the three and six months ended June 30, 2011, revenue from sources outside of North America totaled approximately \$12.4 million and \$24.7 million, respectively.

During the three and six months ended June 30, 2012, the Company had two countries, Japan and the United States that accounted for 10% or more of the Company's total revenues. No single country outside of the United States accounted for 10% or more of the Company's total revenues during the three and six months ended June 30, 2011.

21. Segment Reporting

The Company operates in one industry segment—content delivery and related services. The Company operates in three geographic areas—North America, EMEA and Asia Pacific.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. The Company's Chief Executive Officer reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company has one business activity and there are no segment managers who are held accountable for operations, operating results and plans for products or components below the consolidated unit level. Accordingly, the Company reports as a single operating segment.

Revenue by geography is based on the location of the customer from which the revenue is earned. The following table sets forth revenue and long-lived assets by geographic area (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Domestic revenue	\$ 30,472	\$ 29,147	\$ 61,009	\$ 58,257
International revenue Asia Pacific	7,234	6,099	14,199	11,636
International revenue EMEA	6,741	6,312	13,555	13,068
Total revenue	\$ 44,447	\$ 41,558	\$ 88,763	\$ 82,961

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

The following table sets forth long-lived assets by geographic area (in thousands):

	As of June 30, 2012	As of December 31, 2011
Domestic long-lived assets	\$ 43,881	\$ 49,831
International long-lived assets	13,424	15,744
Total long-lived assets	\$ 57,305	\$ 65,575

Table of Contents**22. Fair Value Measurements**

The Company evaluates certain of its financial instruments within the three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1 defined as observable inputs such as quoted prices in active markets;
- Level 2 defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3 defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of June 30, 2012 and December 31, 2011, the Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis. These include money market funds, commercial paper, corporate notes and bonds and U.S. Government Agency Bonds, and publicly traded stocks, which are classified as either cash and cash equivalents or marketable securities. The Company also has acquisition-related contingent consideration which is classified as a current liability on the Company's condensed consolidated balance sheets.

The Company's financial assets are valued using market prices on both active markets (level 1) and less active markets (level 2). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from readily available pricing sources for comparable instruments or identical instruments in less active markets. Level 3 inputs are valued using models that take into account the terms of the arrangement as well as multiple inputs where applicable, such as estimated units sold and other customer utilization metrics.

The following is a summary of money market funds, marketable securities, other investment-related assets and current liabilities held at June 30, 2012 (in thousands):

Description	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Government agency bonds (1)	\$ 14,307	\$	\$ 14,307	\$
Money market funds (2)	15,720	15,720		
Corporate notes and bonds (1)	10,561		10,561	
Commercial paper (1) (2)	2,318		2,318	
Certificate of deposit (1)	2,738		2,738	
Publicly traded common stock (1)	12	12		
Total assets measured at fair value	\$ 45,656	\$ 17,732	\$ 29,924	\$
Liabilities:				
Acquisition related contingent consideration	\$ 58	\$	\$	\$ 58
Total liabilities measured at fair value	\$ 58	\$	\$	\$ 58

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

- (1) Classified in marketable securities
- (2) Classified in cash and cash equivalents

For the six months ended June 30, 2012, realized gains and losses for marketable securities are reported in interest income, unrealized gains and losses for marketable securities are included in other comprehensive income and expense. For the six months ended June 30, 2012, the Company had net unrealized losses of approximately \$44,000.

The fair value measurement for the contingent consideration is based on significant inputs not observed in the market and thus represents a Level 3 measurement. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect the Company's own assumptions in measuring fair value.

Table of Contents

The progressions of the Company's Level 3 instruments for the six months ended June 30, 2012 are shown in the table below (in thousands):

	Acquisition Related Contingent Consideration
Balance at January 1, 2012	\$ 994
Adjustment to fair value of AcceloWeb contingent consideration	(842)
Payment of contingent consideration	(94)
Balance at March 31, 2012	\$ 58
Adjustment to fair value of AcceloWeb contingent consideration	
Payment of contingent consideration	
Balance at June 30, 2012	\$ 58

The following is a summary of cash and cash equivalents, marketable securities, other investment-related assets and current liabilities held at December 31, 2011 (in thousands):

Description	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Government agency bonds (1)	\$ 9,614	\$	\$ 9,614	\$
Money market funds (2)	24,855	24,855		
Corporate notes and bonds (1)	5,757		5,757	
Commercial paper (1)	2,749		2,749	
Certificate of deposit (1)	2,730		2,730	
Publicly traded common stock (1)	51	51		
Total assets measured at fair value	\$ 45,756	\$ 24,906	\$ 20,850	\$
Liabilities:				
Acquisition related contingent consideration	\$ 994	\$	\$	\$ 994
Total liabilities measured at fair value	\$ 994	\$	\$	\$ 994

- (1) Classified in marketable securities
(2) Classified in cash and cash equivalents

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

The carrying amount of cash equivalents approximates fair value because their maturity is less than three months. The carrying amount of short-term and long-term marketable securities represents fair value as the securities are marked to market as of each balance sheet date with any unrealized gains and losses reported in stockholders' equity. The carrying amount of accounts receivable, accounts payable and accrued liabilities approximates fair value due to the short-term maturity of the amounts.

The Company did not estimate the fair value of its cost basis investment because the Company did not identify any events or circumstances that would have a significant adverse effect on the fair value of the investment. Determining fair value is not practicable because the entity in which the Company made the investment is not a publically traded company and information necessary to determine fair value is not available.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2011 included in our annual report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 2, 2012. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). Forward-looking statements include statements as to industry trends and future expectations of ours and other matters that do not relate strictly to historical facts. These statements are often identified by the use of words such as may, will, expect, believe, anticipate, intend, could, estimate, or continue, and similar expressions or variations. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled Risk Factors set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings, including the Risk Factors set forth in our Annual Report on Form 10-K filed with the SEC on March 2, 2012. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. Prior period information has been modified to conform to current year presentation.

Overview

We were founded in 2001 as a provider of content delivery network services to deliver digital content over the Internet. We began development of our infrastructure in 2001 and began generating meaningful revenue in 2002. Today, we are a global leader in digital presence management and delivery, including mobility, web and video content management, web application acceleration, cloud storage and consulting, and content delivery services. We provide web and video content management services as Software-as-a-Service (SaaS) solutions and cloud storage and content delivery services as Platform-as-a-Service solutions, which other than content delivery services, are referred to collectively as value-added services (VAS). We derive revenue from the sale of content delivery services and VAS to our customers. In May 2012, we introduced a new digital presence solution, Limelight Orchestrate (Orchestrate), an integrated suite of cloud-based applications which allows organizations to optimize all aspects of their online digital presence across web, mobile, social and large screen channels. Orchestrate provides advanced features for website content management, personalization and targeting, video publishing, mobile enablement, content delivery, transcoding and cloud storage, combined with social media integration and powerful analytics. These services are provided in the cloud and leverage our global computing platform, which provides highly-available, highly-redundant storage, bandwidth and computing resources as well as connectivity to last-mile broadband network providers. Our global professional services organization help organizations analyze and identify their digital presence requirements. We also offer other platform and infrastructure services, such as transit and rack space services. Our solutions and services enable organizations to streamline processes and optimize business results across all customer interaction channels, helping them deliver a high quality online media experience, improve brand awareness, drive revenue and enhance their customer relationships while reducing costs. We operate in one industry segment.

We provide services to customers that we believe view Internet, mobile and social initiatives as critical to their success, including traditional and emerging media companies, or content publishers, operating in the television, music, radio, newspaper, magazine, movie, videogame, software and social media industries, as well as enterprises, technology companies and government entities conducting business online. We provide services to customers in North America, EMEA and the Asia Pacific region. As of June 30, 2012, we had 1,494 customers worldwide.

In addition to our expanding suite of VAS, we continue to expand the capacity and capabilities, and to enhance the performance and efficiency, of our global computing platform. Although we believe that we may have improved margins in our content delivery services as we expand our customer base and use a greater proportion of our capacity, we expect the majority of our margin increases to result from our VAS increasing as a percentage of our revenue.

In May 2012, our board of directors approved a common stock repurchase plan in compliance with Rules 10b-18 and 10b5-1 of the Exchange Act that authorizes us to repurchase up to \$15 million of our shares of common stock, exclusive of any commissions, markups or expenses, from time to time through December 15, 2012. Any repurchased shares will be cancelled and return to authorized but unissued status. During the three month period ended June 30, 2012, we repurchased and cancelled approximately 4.5 million shares at an average price per share of approximately \$2.61 per share. The price range of the shares repurchased was between \$2.38 and \$2.75 per share. The total amount expended was approximately \$11.9 million under the repurchase plan.

Table of Contents

In May 2010, we made a strategic investment in Gaikai Inc. (Gaikai), a private cloud-based gaming technology company that allows users to play major PC and console games through a web browser. In June 2012, Sony Computer Entertainment Inc. (Sony) entered into a definitive agreement to acquire Gaikai for approximately \$380 million. We expect to receive gross proceeds of approximately \$11 million related to the sale and will record the transaction when the sale is completed.

Traffic on our network and our VAS business continued to grow during the three month period ended June 30, 2012. This traffic growth was primarily the result of growth in the traffic delivered to existing customers and to a lesser extent to new customers. Our content delivery revenue is generated by charging for traffic delivered. While our traffic continued to grow, our revenue generated from such traffic decreased approximately \$0.2 million during the three month period ended June 30, 2012, compared to the three month period ended June 30, 2011. During the three month period ended June 30, 2012, all of our revenue growth was attributable to our VAS. During 2011, we added new customers through new business and through our business acquisitions, and we also elected not to renew some customers. During the three month period ended June 30, 2012, we continued to add new customers, experienced some attrition and elected not to renew some customers as we continue to focus on customer quality. During the three month period ended June 30, 2012, we averaged 1.7 products per customer. For new customers added during the quarter we averaged 2.0 products. We continue to have success selling new products to our existing customer base.

Our international revenue continued to grow during the three month period ended June 30, 2012, and we expect this trend to continue as we focus on our strategy of expanding our network and customer base internationally. For the year ended December 31, 2011, revenue derived from customers outside of North America accounted for approximately 30% of our total revenue. For the year ended December 31, 2011, we derived approximately 50% of our international revenue from EMEA and approximately 50% of our international revenue from Asia Pacific. We anticipate that our Asia Pacific revenue may continue to grow as a percentage of our total international revenue. During 2011, no single country outside of the United States accounted for 10% or more of our total revenues. For the three month periods ended June 30, 2012 and 2011, revenue derived from customers outside of North America accounted for approximately 31% and 30%, respectively, of our total revenue. For the three month periods ended June 30, 2012 and 2011, we derived approximately 48% and 51%, respectively, of our international revenue from EMEA and approximately 52% and 49%, respectively, of our international revenue from Asia Pacific. For the six months ended June 30, 2012 and 2011, approximately 31% and 30%, respectively, of our total revenues were derived from our operations located outside of North America. For the six months ended June 30, 2012 and 2011, we derived approximately 49% and 53%, respectively, of our international revenue from EMEA and approximately 51% and 47%, respectively, of our international revenue from Asia Pacific. During the three and six months ended June 30, 2012, we had two countries, Japan and the United States that accounted for 10% or more of our total revenues. No single country outside of the United States accounted for 10% or more of our total revenues during the three and six months ended June 30, 2011. We expect our foreign revenue to continue to increase in absolute dollars in 2012. Our business is managed as a single segment, and we report our financial results on this basis.

During any given fiscal period, a relatively small number of customers typically account for a significant percentage of our revenue. For example, in 2011, sales to our top 10 customers accounted for approximately 34% of our total revenue, and we had one customer, Netflix, Inc. (Netflix), which represented more than 10% of our total revenue. For the year ended December 31, 2011, Netflix represented approximately 11% of our total revenue. For the three month periods ended June 30, 2012 and 2011, sales to our top 10 customers accounted for approximately 32% and 33%, respectively, of our total revenue. For the six month periods ended June 30, 2012 and 2011, sales to our top 10 customers accounted for approximately 32% and 35%, respectively, of our total revenue. During the three and six month periods ended June 30, 2012 and 2011, we had one customer that accounted for more than 10% of our total revenue. During each of those periods, Netflix represented approximately 11% of our total revenue. In 2012, we anticipate that our top 10 customer concentration levels will remain consistent with 2011. In the past, the customers that comprised our top 10 customers have continually changed, and our large customers may not continue to be as significant going forward as they have been in the past.

In addition to selling to our direct customers, we maintain relationships with a number of resellers that purchase our services for resale to their end customers. Revenue generated from sales to reseller customers accounted for approximately 4% of our total revenue for the year ended December 31, 2011. For the three and six month periods ended June 30, 2012 and 2011, respectively, revenue generated from sales to reseller customers accounted for approximately 3% and 4%, respectively, of our total revenue.

In addition to these revenue-related business trends, our cost of revenue decreased in absolute dollars and decreased as a percentage of our total revenue for the three month period ended June 30, 2012, compared to the three month period ended June 30, 2011. The decrease in absolute dollars was primarily due to decreased bandwidth and co-locations costs, which was primarily due to lower transit costs, offset by an increase in paid peering, and increased payroll and related employee costs for our operations personnel who are responsible for monitoring and managing our network and delivering our VAS.

Table of Contents

For the six month period ended June 30, 2012, our cost of revenue increased slightly in absolute dollars and decreased as a percentage of our total revenue compared to the six month period ended June 30, 2011. The increase in absolute dollars was primarily due to increased payroll and related employee costs for our operations personnel who are responsible for monitoring and managing our network and delivering our VAS, increased professional fees and increases in other costs associated with the delivery of our services as well as additional fees and licenses. These increases were offset by decreased bandwidth and co-locations costs which were primarily due to lower transit costs, offset by an increase in paid peering.

We enter into contracts with third party network and data center providers, with terms typically ranging from several months to several years. Our contracts related to transit bandwidth provided by network operators generally commit us to pay either a fixed monthly fee or monthly fees plus additional fees for bandwidth usage above a specified level. We entered into an agreement with Global Crossing Ltd. (Global Crossing) in January 2009 for use of private lines for additional bandwidth and backbone services with a term of four years from installation. We executed subsequent amendments in September 2009, March 2011 and January 2012 for additional bandwidth and backbone services. The agreement and subsequent amendments required substantial prepayment for such services, and the amendments extended the original term for some services through June 2014. In addition to purchasing services from communications providers, we connect directly to over 700 broadband Internet service providers (ISPs), generally without either party paying the other. This industry practice, known as settlement free peering, benefits us by allowing us to place content objects directly on user access networks, which helps us provide higher performance delivery for our customers and eliminate paying transit bandwidth fees to network operators. This practice also benefits the ISP and its customers by allowing them to receive improved content delivery through our local servers and eliminate the cost of transit bandwidth associated with delivery receipt of the traffic. We do not consider these relationships to represent the culmination of an earnings process. Accordingly, we do not recognize as revenue the value to the ISPs associated with the use of our servers nor do we recognize as expense the value of the bandwidth received at discounted or no cost. These peering relationships are mutually beneficial and are not contractual commitments. In addition to settlement free peering, we incur costs for non-settlement free peering as well as costs associated with connecting to the ISPs.

During 2011, we continued to reduce our network transit bandwidth delivery costs per gigabyte transferred by entering into new supplier contracts with lower pricing and amending existing contracts to take advantage of price reductions from our existing suppliers associated with higher purchase commitments. We anticipate our overall transit bandwidth delivery costs will continue to increase in absolute dollars as a result of expected higher traffic levels, partially offset by continued reductions in bandwidth costs per unit. In addition, during 2011, we entered into relationships for fixed price paid peering ports that we anticipate will assist in cost management as we continue to increase the volume of traffic moving through our global computing platform. We expect that our overall transit bandwidth delivery costs as a percentage of our total revenue will decrease slightly in 2012 compared to 2011.

For the three month period ended June 30, 2012, operating expenses increased in absolute dollars and increased as a percentage of revenue compared to the three month period ended June 30, 2011. This increase was primarily due to increased sales and marketing expenses, increased research and development costs and increased non-network related depreciation and amortization. The increase in sales and marketing expenses was primarily due to increased payroll and related employee costs, due to increased staffing and increased travel, offset by a decrease in share-based compensation. The increase in research and development costs was primarily due to increased payroll and related employee costs due to increased staffing. The increase in non-network related depreciation and amortization was primarily due to increased amortization of intangible assets from our business acquisitions as well as increased general and administrative depreciation and amortization. For the three month period ended June 30, 2012, general and administrative expenses decreased compared to the three month period ended June 30, 2011. The decrease in general and administrative expense was primarily due to lower share-based compensation and reduced litigation costs.

For the six month period ended June 30, 2012, operating expenses increased in absolute dollars and increased as a percentage of revenue compared to the six month period ended June 30, 2011. This increase was primarily due to increased general and administrative expenses, increased sales and marketing expenses, increased research and development costs and increased non-network related depreciation and amortization. The increase in general and administrative expenses was primarily due to increased professional fees, primarily due to increased legal fees associated with intellectual property and general corporate legal matters, increased accounting fees and increased outside services and recruiting costs. The increase in sales and marketing expenses was primarily due to increased payroll and related employee costs, due to increased staffing and increased travel, offset by a decrease in share-based compensation. The increase in research and development costs was primarily due to increased payroll and related employee costs due to increased staffing. The increase in non-network related depreciation and amortization was primarily due to increased amortization of intangible assets from our business acquisitions as well as increased general and administrative depreciation and amortization.

We make our capital investment decisions based upon evaluation of a number of variables, such as the amount of traffic we anticipate on our network, the cost of the physical infrastructure required to deliver that traffic and the forecasted capacity utilization of our network. Our capital expenditures have varied over time, in particular as we purchased servers and other network equipment associated with our network build-out. For example, in 2009, 2010 and 2011 we made capital purchases of \$20.4 million,

Table of Contents

\$33.5 million and \$30.4 million, respectively, which represented 16%, 22% and 18%, respectively, of our total revenue. For the six month periods ended June 30, 2012 and 2011, we made capital investments of \$10.1 million and \$19.3 million, respectively, which represented 11% and 23%, respectively, of our total revenue. We expect to have ongoing capital expenditure requirements as we continue to invest in, refresh and expand our global computing platform. For 2012, we anticipate making aggregate capital expenditures of approximately 8% to 10% of our total revenue.

We occasionally generate revenue from certain customers that are entities related to certain of our executive officers and directors. For the year ended December 31, 2011 revenue derived from these related parties was less than 1% of our total revenue. For the three and six month periods ended June 30, 2012, revenue generated from related parties was approximately 1% of our total revenue.

Our future results will be affected by many factors, including factors identified in the section titled **Risk Factors** in Part II, Item 1A of this Quarterly Report on Form 10-Q and our ability to:

increase our revenue by adding customers and limiting customer cancellations and terminations, as well as increasing the amount of monthly recurring revenue that we derive from our existing customers;

manage the prices we charge for our services, as well as the costs associated with operating our network in light of increased competition;

successfully manage our litigation with Akamai Technologies, Inc. (Akamai) to a favorable conclusion;

prevent disruptions to our services and network due to accidents or intentional attacks;

continue to deliver a significant portion of our traffic through settlement free peering relationships which significantly reduce our cost of delivery;

successfully integrate the businesses we have acquired; and

successfully manage the disposition of businesses we have divested from.

As a result, we cannot assure you that we will achieve our expected financial objectives, including positive net income.

Critical Accounting Policies and Estimates

Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. During the three months ended June 30, 2012, there have been no significant changes in our critical accounting policies.

Results of Continuing Operations

Three and Six Months Ended June 30, 2012 Compared to Three and Six Months Ended June 30, 2011

Revenue

Three months ended June 30,

Six months ended June 30,

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

	2012	2011	Increase (Decrease)	Percent Change	2012	2011	Increase (Decrease)	Percent Change
	(in thousands)				(in thousands)			
Revenue	\$ 44,447	\$ 41,558	\$ 2,889	7%	\$ 88,763	\$ 82,961	\$ 5,802	7%

Revenue increased 7%, or \$2.9 million, to \$44.4 million for the three months ended June 30, 2012 as compared to \$41.6 million for the three months ended June 30, 2011. The increase in revenue for the three month period ended June 30, 2012 compared to the same period in the prior year was attributable to an increase in our VAS revenue of approximately \$3.1 million. Our VAS revenue, which collectively refers to our mobility, web and video content management, web application acceleration, cloud storage and consulting revenue, includes revenue from the date of acquisition of Delve Networks, Inc. (Delve), Clickability, Inc. (Clickability) and AcceloWeb, (IL) Ltd. (AcceloWeb). The increase in VAS revenue was primarily attributable to increases in our web content management, video publishing and mobile product offerings, and cloud storage revenue. The increase in VAS revenue was offset by a decrease in our content delivery services revenue of approximately \$0.2 million. During the three month period ended June 30, 2012, we continued to increase the amount of traffic moving through our network; however, our content delivery services revenue decreased approximately \$0.2 million.

For the six month period ended June 30, 2012, total revenues increased 7%, or \$5.8 million, to \$88.8 million as compared to \$83.0 million for the six months ended June 30, 2011. The increase in revenue for the six month period ended June 30, 2012 compared to the same period in the prior year was primarily attributable to an increase in our VAS revenue of approximately \$8.5 million. The increase in VAS revenue was primarily attributable to increases in our web content management, video publishing and mobile

Table of Contents

product offerings, and cloud storage revenue. The increase in VAS revenue was offset by a decrease in our content delivery services revenue of approximately \$2.7 million. Of this decrease, approximately \$1.8 million was due to a reduction in our network pop-build and license revenue from Microsoft Corporation (Microsoft).

As of June 30, 2012, we had approximately 1,494 customers compared to approximately 1,630 as of June 30, 2011.

We anticipate our revenues will increase in 2012 compared to 2011, which will include a full year of revenue from our business acquisitions. We expect to deliver more traffic on our network and expect continued growth in our VAS. Additionally, we expect our international revenue to continue to increase in absolute dollars and that our Asia Pacific revenue may continue to grow as a percentage of our total international revenue compared to 2011. In 2012, we anticipate that our customer concentrations levels will remain consistent with 2011. In the past, the customers that comprised our top 10 customers have continually changed, and our large customers may not continue to be as significant going forward as they have been in the past.

Cost of Revenue

	Three months ended June 30,				Six months ended June 30,			
	2012	2011 (in thousands)	Increase (Decrease)	Percent Change	2012	2011 (in thousands)	Increase (Decrease)	Percent Change
Cost of revenue	\$ 27,563	\$ 28,377	\$ (814)	(3)%	\$ 54,893	\$ 54,642	\$ 251	%

Cost of revenue includes fees paid to network providers for bandwidth and backbone, costs incurred for non-settlement free peering and connection to ISPs, and fees paid to data center operators for co-location of our network equipment. Cost of revenue also includes depreciation of network equipment used to deliver our content delivery services, payroll and related costs and share-based compensation for our network operations, and professional services personnel.

Cost of revenue decreased 3%, or \$0.8 million, to \$27.6 million for the three months ended June 30, 2012 as compared to \$28.4 million for the three months ended June 30, 2011. This decrease was primarily due to a decrease in bandwidth and co-location fees of approximately \$1.5 million, which was primarily associated with lower transit and co-location fees of approximately \$2.2 million, offset by increased peering costs of approximately \$0.7 million. In addition, we had a decrease in depreciation of \$0.1 million. These decreases were offset by an increase in payroll and employee related costs of approximately 0.5 million, primarily due to increased salaries and bonus accrual, and an increase in other costs of approximately \$0.3 million. The increase in other costs was primarily related to an increase in fees and licenses of approximately \$0.2 million and an increase of \$0.1 million in other costs associated with the delivery of our services.

For the six months ended June 30, 2012, cost of revenue increased \$0.3 million, to \$54.9 million as compared to \$54.6 million for the six months ended June 30, 2011. This increase was primarily due to an increase in payroll and related employee costs of approximately \$1.1 million primarily associated with increased salaries and bonus accrual, increased professional fees of approximately \$0.4 million, consisting of approximately \$0.3 million of consulting fees and approximately \$0.1 million of recruiting fees, an increase in travel costs of approximately \$0.2 million, and an increase in other costs of approximately \$0.9 million. The increase in other costs was primarily due to \$0.5 million of other costs associated with the delivery of our services and increased fees and licenses of approximately \$0.3 million. These increases were offset by a decrease of approximately \$2.0 million in bandwidth and co-location fees, which was the result of increased peering costs of approximately \$1.9 million, offset by a reduction of approximately \$3.9 million in transit and co-location fees.

Cost of revenue share-based compensation expense decreased \$0.2 million during the three month period ended June 30, 2012 compared to the three month period ended June 30, 2011. For the six month periods ended June 30, 2012 and 2011, respectively, share-based compensation expense decreased \$0.3 million.

Cost of revenue was composed of the following (in millions):

For the Three Months Ended June 30,		For the Six Months Ended June 30,	
2012	2011	2012	2011

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

Bandwidth and co-location fees	\$ 13.2	\$ 14.7	\$ 26.8	\$ 28.8
Depreciation network	7.2	7.3	14.0	14.0
Payroll and related employee costs	4.5	4.0	8.8	7.7
Share-based compensation	0.5	0.7	1.0	1.3
Professional fees and outside services	0.5	0.3	0.8	0.4
Travel and travel-related expenses	0.3	0.3	0.6	0.4
Royalty expenses	0.2	0.2	0.4	0.4
Other costs	1.2	0.9	2.5	1.6
Total cost of revenues	\$ 27.6	\$ 28.4	\$ 54.9	\$ 54.6

Table of Contents

We anticipate cost of revenue will increase in 2012 compared to 2011, which will include a full year of expenses from our business acquisitions. In 2012, we expect to deliver more traffic on our network, which would result in higher expenses associated with increased bandwidth, peering, rack and co-location costs to support increased traffic compared to 2011; however, such costs are likely to be partially offset by lower bandwidth costs per unit. We anticipate depreciation expense related to our network equipment will decrease in 2012 compared to 2011. Additionally, in 2012 we expect an increase in payroll and related costs compared to 2011, as we continue to make investments in our content delivery network to service our customer base as well as increase our VAS personnel. We expect that share-based compensation expense will decrease in 2012 compared to 2011.

General and Administrative

	Three months ended June 30,				Six months ended June 30,			
	2012	2011 (in thousands)	Increase (Decrease)	Percent Change	2012	2011 (in thousands)	Increase (Decrease)	Percent Change
General and administrative	\$ 8,053	\$ 8,471	\$ (418)	(5)%	\$ 16,373	\$ 15,082	\$ 1,291	9%

General and administrative expenses consist primarily of the following components:

payroll, share-based compensation and other related costs, including related expenses for executive, finance, legal, business applications, internal network management, human resources and other administrative personnel;

fees for professional services and litigation expenses;

rent and other facility-related expenditures for leased properties;

the provision for doubtful accounts; and

non-income related taxes.

General and administrative expenses decreased 5%, or \$0.4 million, to \$8.1 million for the three month period ended June 30, 2012 as compared to \$8.5 million for the three month period ended June 30, 2011. This decrease was primarily due to a decrease in share-based compensation of \$0.5 million, a decrease in litigation costs of \$0.3 million and a decrease in travel and travel related expenses of \$0.1 million. These decreases were offset by increases in professional fees of \$0.2 million, primarily due to increased legal fees for intangible property and other corporate legal matters. Additionally, we had an increase in payroll and related employee costs of \$0.1 million, primarily due to increased salaries and bonus accrual due to increased staffing, a reduction in bad debt of \$0.1 million and a decrease in other expenses of \$0.1 million. Other expenses include such items as rent, utilities, telephone, insurance, fees and licenses, office supplies and property taxes.

For the six months ended June 30, 2012, general and administrative expenses increased 9%, or \$1.3 million, to \$16.4 million as compared to \$15.1 million for the six months ended June 30, 2011. The increase in general and administrative expenses for the six month period ended June 30, 2012 compared to the six month period ended June 30, 2011 was primarily due to an increase in professional fees of \$1.4 million which was due to increased general corporate legal expenses of \$0.4 million, legal fees related to intellectual property matters of \$0.3 million, increased accounting fees of approximately \$0.3 million, increased outside services of approximately \$0.3 million, as well as increased recruiting fees of approximately \$0.2 million, offset by lower legal fees associated with business acquisitions of approximately \$0.2 million. Payroll and related employee costs increased approximately \$0.4 million related primarily to new hires and bad debt expense increased \$0.3 million. These increases were offset by a decrease in litigation costs of \$0.6 million, and a decrease in other costs of \$0.2 million, which was primarily due to the reversal of previously recorded contingent consideration for which we no longer believe that payment is probable of approximately \$0.8 million and reduced office supplies of approximately \$0.1 million, offset by increased facilities and facilities-related costs of \$0.4 million, primarily due to our relocation to our new worldwide headquarters in Tempe, Arizona in April 2011, and increased fees, licenses and non-income taxes of \$0.4 million. Other expenses include such items as rent, utilities, telephone, insurance, fees and licenses and property

taxes.

Table of Contents

Additionally, general and administrative share-based compensation expense decreased \$0.5 million for the three month period ended June 30, 2012 compared to the prior year and was unchanged for the six month period ended June 30, 2012 compared to the same period of the prior year.

General and administrative expense was composed of the following (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Payroll and related employee costs	\$ 2.3	\$ 2.2	\$ 4.9	\$ 4.5
Professional fees	1.7	1.5	3.9	2.5
Share-based compensation	1.3	1.8	3.0	3.0
Litigation expenses		0.3		0.6
Bad debt expense	0.5	0.4	0.9	0.6
Travel and travel-related expenses	0.2	0.3	0.4	0.4
Other expenses	2.1	2.0	3.3	3.5
Total general and administrative	\$ 8.1	\$ 8.5	\$ 16.4	\$ 15.1

In 2012, we expect our general and administrative expenses to increase in absolute dollars and remain consistent as a percentage of revenue compared to 2011. In 2012, which will include a full year of expenses from our business acquisitions, we expect increased salaries and related employee cost, increased costs and fees associated with intellectual property and, increased facility costs compared to 2011. We expect that these increases will be offset by lower litigation costs in 2012 compared to 2011. We expect that share-based compensation expense will decrease as a percentage of revenue in 2012 compared to 2011. In 2013, we expect our general and administrative expense to decrease as a percentage of our revenue compared to 2012, as we expect our costs to grow slower than our total revenue.

Sales and Marketing

	Three months ended June 30,				Six months ended June 30,			
	2012	2011	Increase (Decrease)	Percent Change	2012	2011	Increase (Decrease)	Percent Change
	(in thousands)				(in thousands)			
Sales and marketing	\$ 11,762	\$ 9,929	\$ 1,833	18%	\$ 23,394	\$ 20,727	\$ 2,667	13%

Sales and marketing expenses consist primarily of payroll and related costs, share-based compensation and commissions for personnel engaged in marketing, sales and service support functions, professional fees, travel and travel-related expenses and advertising and promotional expenses.

Sales and marketing expenses increased 18%, or \$1.8 million, to \$11.8 million for the three month period ended June 30, 2012 compared to \$9.9 million for the three month period ended June 30, 2011. The increase in sales and marketing expenses was primarily due to an increase in payroll and related employee costs of \$1.1 million, primarily due to increased variable compensation costs of \$0.6 million and increased salaries of \$0.5 million due to increased staffing, an increase in travel and travel-related expenses of \$0.4 million, an increase in professional fees and outside services of \$0.1 million, an increase in marketing expenses of \$0.1 million and an increase in other costs of \$0.5 million. The increase in other costs was primarily due to increased facility and facility-related costs, office supplies and increased fees and licenses. These increases were offset by a decrease in share-based compensation of \$0.3 million.

For the six months ended June 30, 2012, sales and marketing expenses increased 13%, or \$2.7 million, to \$23.4 million as compared to \$20.7 million for the six months ended June 30, 2011. The increase in sales and marketing expenses for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 was primarily due to an increase in payroll and related employee costs of \$2.1 million, primarily due to increased salaries of \$1.2 million, and to a lesser extent increased variable compensation costs of \$0.8 million, an increase in travel and travel-related expenses of \$0.7 million, and an increase in other costs of \$0.6 million. The increase in other costs was primarily due to increased facility and facility-related costs, office supplies and increased fees and licenses. These increases were offset by a decrease in marketing expenses of \$0.2 million.

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

Additionally, sales and marketing share-based compensation expense decreased \$0.3 million and \$0.5 million, respectively for the three and six month periods ended June 30, 2012 compared to the same periods of the prior year.

Table of Contents

Sales and marketing expense was composed of the following (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Payroll and related employee costs	\$ 7.0	\$ 5.9	\$ 14.3	\$ 12.2
Travel and travel-related expenses	1.2	0.8	2.2	1.5
Share-based compensation	0.8	1.1	1.7	2.2
Marketing programs	0.7	0.6	1.2	1.4
Professional fees and outside services	0.4	0.3	0.8	0.8
Other expenses	1.7	1.2	3.2	2.6
Total sales and marketing	\$ 11.8	\$ 9.9	\$ 23.4	\$ 20.7

We anticipate our sales and marketing expense will increase in 2012 in both absolute dollars and as a percentage of revenue compared to 2011. In 2012, we anticipate that the increase in absolute dollars, which will include a full year of expenses from our business acquisitions, will be due to an expected increase in salaries and related employee costs for our sales and marketing personnel, primarily due to increased staffing, increased commissions on higher forecast sales, an increase in marketing costs such as advertising and other lead-generating activities, and increases in facility and facility-related expenses for our sales and marketing personnel compared to 2011. We expect that share-based compensation expense in 2012 will remain consistent with 2011 as a percentage of revenue.

Research and Development

	Three months ended June 30,				Six months ended June 30,			
	2012	2011 (in thousands)	Increase (Decrease)	Percent Change	2012	2011 (in thousands)	Increase (Decrease)	Percent Change
Research and development	\$ 4,986	\$ 4,503	\$ 483	11%	\$ 10,152	\$ 8,194	\$ 1,958	24%

Research and development expenses consist primarily of payroll and related costs and share-based compensation expense for research and development personnel who design, develop, test and enhance our services, network and software.

Research and development expenses increased 11%, or \$0.5 million, to \$5.0 million for the three month period ended June 30, 2012 as compared to \$4.5 million for the three month period ended June 30, 2011. The increase in research and development expenses was primarily due to an increase of \$0.9 million in payroll and related employee costs and increases in professional fees \$0.1 million, travel and travel related costs, \$0.1 million and other costs of \$0.1 million. The increase in payroll and related employee costs was primarily due to our hiring of additional network and software engineering personnel. Other expenses include such items as consulting, contract labor, telephone and office supplies.

For the six months ended June 30, 2012, research and development expenses increased 24%, or \$2.0 million, to \$10.2 million for the six months ended June 30, 2012 as compared to \$8.2 million for the six month period ended June 30, 2011. The increase in research and development expenses was primarily due to an increase of \$2.4 million in payroll and related employee costs and an increases in travel and travel related costs \$0.1 million and in other costs of \$0.1 million. The increase in payroll and related employee costs was primarily due to our hiring of additional network and software engineering personnel. Other expenses include such items as consulting, contract labor, telephone and office supplies.

Additionally, research and development share-based compensation expense decreased \$0.7 million and \$0.6 million, respectively, for the three and six month periods ended June 30, 2012 compared to the same periods of the prior year.

Research and development expense was composed of the following (in millions):

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Payroll and related employee costs	\$ 3.7	\$ 2.8	\$ 7.6	\$ 5.2
Share-based compensation	0.6	1.3	1.5	2.1
Professional fees and outside services	0.3	0.2	0.5	0.5
Travel and travel-related expenses	0.2	0.1	0.3	0.2
Other expenses	0.2	0.1	0.3	0.2
Total research and development	\$ 5.0	\$ 4.5	\$ 10.2	\$ 8.2

Table of Contents

We anticipate that our research and development expenses will increase in 2012 which will include a full year of expenses from our business acquisitions, in absolute dollars and increase as a percentage of revenue compared to 2011 as we continue to make investments in our core technology and refinements and additions to our other service offerings. In 2012, we expect increased payroll and related employee costs associated with continued hiring of research and development personnel compared to 2011. Additionally, in 2012, we expect that share-based compensation expense will remain consistent with 2011 as a percentage of revenue.

Depreciation and Amortization (Operating Expenses)

	Three months ended June 30,				Six months ended June 30,			
	2012	2011 (in thousands)	Increase (Decrease)	Percent Change	2012	2011 (in thousands)	Increase (Decrease)	Percent Change
Depreciation and amortization	\$ 1,450	\$ 1,204	\$ 246	20%	\$ 2,848	\$ 1,755	\$ 1,093	62%

Depreciation expense consists of depreciation on equipment and furnishing used by general administrative, sales and marketing and research and development personnel. Amortization expense consists of amortization of intangible assets acquired in business combinations.

Depreciation and amortization expenses increased 20%, or \$0.2 million, to \$1.5 million for the three month period ended June 30, 2012, as compared to \$1.2 million for the three month period ended June 30, 2011. The increase in depreciation and amortization expense was due to an increase of approximately \$0.1 million in amortization of intangibles acquired in business combinations, as well as increased general and administrative depreciation and amortization of approximately \$0.1 million. For the three month period ended June 30, 2012, amortization of intangibles was approximately \$0.7 million.

For the six months ended June 30, 2012, depreciation and amortization expenses increased 62%, or \$1.1 million, to \$2.8 million, as compared to \$1.8 million for the six month period ended June 30, 2011. The increase in depreciation and amortization expense was primarily due to an increase of approximately \$0.7 million in amortization of intangibles acquired in business combinations, and to a lesser extent increased general and administrative depreciation and amortization of approximately \$0.4 million. For the six month period ended June 30, 2012, amortization of intangibles was approximately \$1.4 million.

Based on our intangible assets at June 30, 2012, we expect amortization of other intangible assets to be approximately \$1.4 million for the remainder of 2012, and \$2.8 million, \$2.1 million, \$1.1 million and \$0.3 million for fiscal years 2013, 2014, 2015 and 2016 and beyond, respectively.

Interest Expense

	Three months ended June 30,				Six months ended June 30,			
	2012	2011 (in thousands)	Increase (Decrease)	Percent Change	2012	2011 (in thousands)	Increase (Decrease)	Percent Change
Interest expense	\$ 46	\$ 100	\$ (54)	(54)%	\$ 96	\$ 136	\$ (40)	(29)%

Interest expense decreased to \$46,000 for the three month period ended June 30, 2012, as compared to \$100,000 for the three month period ended June 30, 2011. Interest expense for the three month period ended June 30, 2012, was comprised of interest paid on capital leases. Interest expense for the three month period ended June 30, 2011, was comprised of interest paid on capital leases of approximately \$38,000 and the accretion of contingent consideration related to our business acquisition of AcceloWeb of approximately \$62,000.

For the six months ended June 30, 2012, interest expense decreased to \$96,000, as compared to \$136,000 for the six months ended June 30, 2011. Interest expense for the six month period ended June 30, 2012, was primarily comprised of interest paid on capital leases. Interest expense for the six month period ended June 30, 2011, was comprised of interest paid on capital leases of approximately \$74,000 and the accretion of contingent consideration related to our business acquisition of AcceloWeb of approximately \$62,000.

As of June 30, 2012, with the exception of our capital leases, we had no outstanding credit facilities.

Table of Contents**Interest Income**

	Three months ended June 30,				Six months ended June 30,			
	2012	2011	Increase (Decrease)	Percent Change	2012	2011	Increase (Decrease)	Percent Change
	(in thousands)				(in thousands)			
Interest income	\$ 83	\$ 254	\$ (171)	(67)%	\$ 189	\$ 438	\$ (249)	(57)%

Interest income includes interest earned on invested cash balances and marketable securities.

Interest income decreased \$0.2 million to \$0.1 million for the three month period ended June 30, 2012, as compared to \$0.3 million for the three month period ended June 30, 2011. Interest income decreased \$0.2 million, to \$0.2 million for the six months ended June 30, 2012, as compared to \$0.4 million for the six months ended June 30, 2011. The decrease in interest income during the three and six month periods ended June 30, 2012, was primarily due to lower interest rates on our cash balances.

Other Income (Expense)

	Three months ended June 30,				Six months ended June 30,			
	2012	2011	Increase (Decrease)	Percent Change	2012	2011	Increase (Decrease)	Percent Change
	(in thousands)				(in thousands)			
Other income (expense)	\$ 56	\$ 32(145)	\$ 24	75%	\$ (30)	\$ 35	\$ (65)	(185)%

Other income was approximately \$56,000 for three month period ended June 30, 2012, as compared to \$32,000 for the three month period ended June 30, 2011. Other income for the three month period ended June 30, 2012 and 2011, respectively, consists primarily of foreign currency transaction gains.

For the six months ended June 30, 2012, other expense was approximately \$30,000 as compared to \$35,000 other income for the six month period ended June 30, 2011. Other expense for the six month periods ended June 30, 2012 and 2011 consisted primarily of foreign currency transaction gains and losses.

Income Tax Expense

	Three months ended June 30,				Six months ended June 30,			
	2012	2011	Increase (Decrease)	Percent Change	2012	2011	Increase (Decrease)	Percent Change
	(in thousands)				(in thousands)			
Income tax expense (benefit)	\$ 163	\$ 429	\$ (266)	(62)%	\$ 300	\$ 567	\$ (267)	(47)%

Based on an estimated annual effective tax rate and discrete items, the estimated income tax expense from continuing operations for the three months ended June 30, 2012 and 2011 was \$0.2 million and \$0.4 million, respectively. Income tax expense on the loss from continuing operations before taxes was different than the statutory income tax rate primarily due to our providing for a valuation allowance on deferred tax assets in certain jurisdictions, and recording of state and foreign tax expense for the quarter. The effective income tax rate is based primarily upon forecasted income or loss for the year, the composition of the income or loss in different countries, and adjustments, if any, for the potential tax consequences, benefits or resolutions for tax audits.

Loss from Discontinued Operations

	Three months ended June 30,				Six months ended June 30,			
	2012	2011	Increase (Decrease)	Percent Change	2012	2011	Increase (Decrease)	Percent Change

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

	(in thousands)				(in thousands)			
Income (loss) from discontinued operations	\$ (391)	\$ (2,766)	\$ (2,375)	(86)%	\$ (700)	\$ (6,084)	\$ (5,384)	(88)%

On September 1, 2011, we completed the sale of EyeWonder LLC and subsidiaries and chors GmbH video and rich media advertising services (EyeWonder and chors) to DG FastChannel, Inc. (now Digital Generation, Inc.) (DG). The sale of EyeWonder and chors met the criteria for discontinued operations during the year ended December 31, 2011. Accordingly, the results of operations related to EyeWonder and chors were classified as discontinued operations in the periods presented. See Note 5 of Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information about our discontinued operations.

Table of Contents

Liquidity and Capital Resources

To date, we have financed our operations primarily through the following transactions:

private sales of common and preferred stock and subordinated notes;

an initial public offering of our common stock in June 2007;

an underwritten public offering of our common stock in March 2011;

borrowing on capital leases;

borrowing on credit facilities;

sale of EyeWonder and Chors in September 2011; and

cash generated by operations.

As of June 30, 2012, our cash, cash equivalents and marketable securities classified as current totaled \$124.6 million. Included in this amount is approximately \$3.6 million of cash and cash equivalents held outside the United States.

Operating Activities

Net cash provided by operating activities of continuing operations increased by \$10.0 million, with net cash provided by operating activities of continuing operations equaling \$9.5 million for the six month period ended June 30, 2012, compared to net cash used in operating activities of continuing operations of approximately \$0.5 million for the six month period ended June 30, 2011. The increase in operating cash flows in the six month period ended June 30, 2012 compared to the six month period ended June 30, 2011 was primarily due to a larger net loss in 2011 compared to 2012 and to changes in operating assets and liabilities. Cash provided by operating activities of continuing operations related to changes in operating assets and liabilities was \$4.2 million in the six months ended June 30, 2012 compared to \$7.5 million of cash used in the six months ended June 30, 2011. The change relates primarily to cash received from DG of approximately \$7.1 million during the six months ended June 30, 2012, which decreased prepaid expenses and other current assets in addition to other less significant changes in operating assets and liabilities during each period.

We expect that cash provided by operating activities of continuing operations may not be sufficient to cover new purchases of property and equipment and potential litigation expenses associated with patent litigation in 2012. The timing and amount of future working capital changes and our ability to manage our days sales outstanding will also affect the future amount of cash used in or provided by operating activities.

Investing Activities

Net cash used in investing activities of continuing operations was \$20.1 million for the six months ended June 30, 2012, compared to \$21.3 million for the six months ended June 30, 2011. Net cash used in investing activities was principally comprised of cash used for the purchase of short-term marketable securities and capital expenditures primarily for computer equipment associated with the build-out and expansion of our global computing platform, offset by cash generated from maturities of short-term marketable securities.

On May 9, 2011, we acquired AcceloWeb, a privately-held provider of advanced technology that helps speed the presentation of web sites and applications located in Tel Aviv, Israel. The purchase price included both cash and company stock for the acquisition. Cash paid, net of cash acquired, was \$4.7 million.

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

On May 2, 2011, we acquired Clickability, a privately-held SaaS provider of web content management located in San Francisco, California. The purchase price included both cash and company stock for the acquisition. Cash paid, net of cash acquired, was \$2.8 million.

We expect to have ongoing capital expenditure requirements as we continue to invest in and expand our content delivery network. We anticipate making aggregate capital expenditures of approximately 8% to 10% of our total revenue in 2012.

Financing Activities

Net cash used in financing activities of continuing operations was approximately \$14.4 million for the six month period ended June 30, 2012, compared to \$76.0 million of net cash provided by financing activities of continuing operations for the six month period ended June 30, 2011. Net cash used in financing activities in the six months ended June 30, 2012 related to payments made for the purchase of our common stock under our stock repurchase plans of approximately \$13.1 million, payments of employee tax withholdings related to restricted stock units of approximately \$0.5 million and payments made on our capital lease obligations of approximately \$0.9 million, offset by cash received from the exercise of stock options of \$0.1 million.

Table of Contents

Net cash provided by financing activities of continuing operations was \$76.0 million for the six months ended June 30, 2011 and related to proceeds from the public offering of our common stock of approximately \$77.1 million and the exercise of stock options of \$0.5 million, offset by payments of employee tax withholdings related to restricted stock units of approximately \$0.9 million and payments made on our capital lease obligations of approximately \$0.6 million.

As of June 30, 2012, we had no outstanding debt other than the aforementioned capital leases.

In May 2012, our board of directors approved a common stock repurchase plan in compliance with Rules 10b-18 and 10b-5-1 of the Exchange Act that authorizes us to repurchase up to \$15 million of our shares of common stock, exclusive of any commissions, markups or expenses, from time to time through December 15, 2012. Any repurchased shares will be cancelled and return to authorized but unissued status. During the three month period ended June 30, 2012, we repurchased and cancelled approximately 4.5 million shares of common stock for approximately \$11.9 million under the repurchase plan.

On March 2, 2011, we completed an underwritten public offering of our common stock in which we sold and issued 11,500,000 shares of our common stock, including 1,500,000 shares subject to the underwriters' over-allotment option, at a price to the public of \$7.10 per share. The newly issued common shares began trading on the Nasdaq Global Select Market on March 2, 2011. We raised a total of approximately \$81.7 million in gross proceeds from the offering, or approximately \$77.1 million in net proceeds after deducting underwriting discounts and commissions of approximately \$3.8 million and other offering costs of approximately \$0.8 million.

In May 2010, we made a strategic investment in Gaikai, a private cloud-based gaming technology company that allows users to play major PC and console games through a web browser. In June 2012, Sony entered into a definitive agreement to acquire Gaikai for approximately \$380 million. We expect to receive gross proceeds of approximately \$11 million related to the sale and will record the transaction when the sale is completed.

Changes in cash, cash equivalents and marketable securities are dependent upon changes in, among other things, working capital items such as deferred revenues, accounts payable, accounts receivable, accrued provision for litigation and various accrued expenses, as well as changes in our capital and financial structure due to debt repurchases and issuances, stock option exercises, sales of equity investments and similar events.

We believe that our existing cash, cash equivalents and marketable securities will be sufficient to meet our anticipated cash needs for at least the next 12 months. If the assumptions underlying our business plan regarding future revenue and expenses change, or if unexpected opportunities or needs arise, we may seek to raise additional cash by selling equity or debt securities.

Contractual Obligations, Contingent Liabilities and Commercial Commitments

In the normal course of business, we make certain long-term commitments for operating leases, primarily office facilities, bandwidth and computer rack space. These leases expire on various dates ranging from 2012 to 2019. We expect that the growth of our business will require us to continue to add to and increase our long-term commitments in 2012 and beyond. As a result of our growth strategies, we believe that our liquidity and capital resources requirements will grow in 2012.

Table of Contents

The following table presents our contractual obligations and commercial commitments, as of June 30, 2012 over the next five years and thereafter (in thousands):

Contractual obligations as of June 30, 2012	Total	Payments Due by Period			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
Operating Leases					
Bandwidth leases	\$ 28,268	\$ 19,772	\$ 7,138	\$ 1,358	\$
Rack space leases	59,691	18,081	32,092	9,479	39
Real estate leases	17,036	3,826	5,913	4,141	3,156
Total operating leases	104,995	41,679	45,143	14,978	3,195
Capital leases	3,193	1,836	1,100	257	
Total commitments	\$ 108,188	\$ 43,515	\$ 46,243	\$ 15,235	\$ 3,195

Off Balance Sheet Arrangements

As of June 30, 2012, we were not involved in any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Use of Non-GAAP Financial Measures

To evaluate our business, we consider and use Non-GAAP net income (loss) and Adjusted EBITDA as a supplemental measure of operating performance. These measures include the same adjustments that management takes into account when it reviews and assesses operating performance on a period-to-period basis. We consider Non-GAAP net income (loss) to be an important indicator of overall business performance because it allows us to illustrate the impact of the effects of share-based compensation, litigation expenses, amortization of intangibles, acquisition related expenses, and discontinued operations. We define EBITDA as GAAP net income (loss) before interest income, interest expense, other income and expense, provision for income taxes, depreciation and amortization and discontinued operations. We believe that EBITDA provides a useful metric to investors to compare us with other companies within our industry and across industries. We define Adjusted EBITDA as EBITDA adjusted for operational expenses that we do not consider reflective of our ongoing operations. We use Adjusted EBITDA as a supplemental measure to review and assess operating performance. We also believe use of Adjusted EBITDA facilitates investors use of operating performance comparisons from period to period. In addition, it should be noted that our performance-based executive officer bonus structure is tied closely to our performance as measured in part by certain non-GAAP financial measures.

In our August 2, 2012 earnings press release, as furnished on Form 8-K, we included Non-GAAP net loss, EBITDA and Adjusted EBITDA. The terms Non-GAAP net loss, EBITDA and Adjusted EBITDA are not defined under United States GAAP, and are not measures of operating income, operating performance or liquidity presented in accordance with United States GAAP. Our Non-GAAP net loss, EBITDA and Adjusted EBITDA have limitations as analytical tools, and when assessing our operating performance, Non-GAAP net loss, EBITDA and Adjusted EBITDA should not be considered in isolation, or as a substitute for net loss or other consolidated income statement data prepared in accordance with United States GAAP. Some of these limitations include, but are not limited to:

EBITDA and Adjusted EBITDA do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

they do not reflect changes in, or cash requirements for, our working capital needs;

they do not reflect the cash requirements necessary for litigation costs;

they do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt that we may incur;

they do not reflect income taxes or the cash requirements for any tax payments;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will be replaced sometime in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;

while share-based compensation is a component of operating expense, the impact on our financial statements compared to other companies can vary significantly due to such factors as the assumed life of the options and the assumed volatility of our common stock; and

other companies may calculate EBITDA and Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures.

Table of Contents

We compensate for these limitations by relying primarily on our GAAP results and using Non-GAAP net income (loss) and Adjusted EBITDA only as supplemental support for management's analysis of business performance. Non-GAAP net income (loss), EBITDA and Adjusted EBITDA are calculated as follows for the periods presented.

Reconciliation of Non-GAAP Financial Measures

In accordance with the requirements of Regulation G issued by the SEC, we are presenting the most directly comparable GAAP financial measures and reconciling the Non-GAAP financial metrics to the comparable GAAP measures.

Reconciliation of GAAP Net Loss to Non-GAAP Net Loss**(In thousands)****(Unaudited)**

	Three Months Ended				Six Months Ended	
	June 30, 2012	March 31, 2012	June 30, 2011	March 31, 2011	June 30, 2012	June 30, 2011
GAAP net loss	\$ (9,828)	\$ (10,006)	\$ (13,935)	\$ (9,818)	\$ (19,834)	\$ (23,753)
Share-based compensation	3,221	3,951	4,872	3,833	7,172	8,705
Litigation defense expenses	(31)	49	269	344	18	612
Acquisition related expenses	68	(488)	559	141	(419)	700
Amortization of intangibles	729	695	605	151	1,424	756
Loss from discontinued operations	391	309	2,766	3,318	700	6,084
Non-GAAP net loss	\$ (5,450)	\$ (5,490)	\$ (4,864)	\$ (2,031)	\$ (10,939)	\$ (6,896)

Reconciliation of GAAP Net Loss to EBITDA to Adjusted EBITDA**(In thousands)****(Unaudited)**

	Three Months Ended				Six Months Ended	
	June 30, 2012	March 31, 2012	June 30, 2011	March 31, 2011	June 30, 2012	June 30, 2011
GAAP net loss	\$ (9,828)	\$ (10,006)	\$ (13,935)	\$ (9,818)	\$ (19,834)	\$ (23,753)
Depreciation and amortization	8,634	8,227	8,520	7,208	16,861	15,728
Interest expense	46	50	100	36	96	136
Interest and other (income) expense	(139)	(20)	(286)	(187)	(159)	(473)
Income tax expense	163	137	429	138	300	567
Loss from discontinued operations	391	309	2,766	3,318	700	6,084
EBITDA	\$ (733)	\$ (1,303)	\$ (2,406)	\$ 695	\$ (2,036)	\$ (1,711)
Share-based compensation	3,221	3,951	4,872	3,833	7,172	8,705
Litigation defense expenses	(31)	49	269	344	18	612
Acquisition related expenses	68	(488)	559	141	(419)	700
Adjusted EBITDA	\$ 2,525	\$ 2,209	\$ 3,294	\$ 5,013	\$ 4,735	\$ 8,306

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our debt and investment portfolio. In our investment portfolio, we do not use derivative financial instruments. Our investments are primarily with our commercial and investment banks and, by policy, we limit the amount of risk by investing primarily in money market funds, United States Treasury obligations, high quality corporate and municipal obligations and certificates of deposit. Our outstanding capital lease obligations bear fixed interest rates and fluctuations in interest rates. We do not believe that a 10% change in interest rates would have a significant impact on our interest income, operating results or liquidity.

Table of Contents

Foreign Currency Risk

We operate in North America, EMEA and Asia-Pacific. As a result of our international business activities, our financial results could be affected by factors such as changes in foreign currency exchange rates or economic conditions in foreign markets, and there is no assurance that exchange rate fluctuations will not harm our business in the future. We have foreign currency exchange rate exposure on our results of operations as it relates to revenues and expenses denominated in foreign currencies. A portion of our cost of revenues and operating expenses are denominated in foreign currencies as are revenues associated with certain international customers. To the extent that the U.S. dollar weakens, similar foreign currency denominated transactions in the future will result in higher revenues and higher cost of revenues and operating expenses, with expenses having the greater impact on our financial results. Similarly, our revenues and expenses will decrease if the U.S. dollar strengthens against these foreign currencies. Although we will continue to monitor our exposure to currency fluctuations, and, where appropriate, may use financial hedging techniques in the future to minimize the effect of these fluctuations, we are not currently engaged in any financial hedging transactions. We performed a sensitivity analysis of our foreign currency exposure as of December 31, 2011 to assess the potential impact of fluctuations in exchange rates for all foreign denominated revenues and expenses. Assuming a 10% weakening of the U.S. dollar relative to our foreign currency denominated revenues and expenses, our net loss for the year ended December 31, 2011 and the six months ended June 30, 2012 would have been higher by approximately \$3.0 million and \$1.5 million, respectively. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumption that foreign exchange rate movements across multiple jurisdictions are similar and would be linear and instantaneous. As a result, the analysis is unable to reflect the potential effects of more complex markets or other changes that could arise which may positively or negatively affect our results of operations.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in SEC Rule 13a-15(e) and 15d-15(e). We maintain disclosure controls and procedures, as such term is defined in SEC Rule 13a-15(e) and 15d-15(e), that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of June 30, 2012. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

We are involved in litigation with Akamai and the Massachusetts Institute of Technology (MIT) relating to a claim of patent infringement. The action was filed in June 2006 in the United States District Court for the District of Massachusetts. The trial date was set for February 2008 with respect to four claims in United States Patent No. 6,108,703 (the 703 patent). In February 2008, a jury returned a verdict in this lawsuit, finding that we infringed four claims of the 703 patent at issue and rejecting our invalidity defenses.

Table of Contents

The jury awarded an aggregate of approximately \$45.5 million which includes lost profits, reasonable royalties and price erosion damages for the period April 2005 through December 31, 2007. In addition, the jury awarded pre-judgment interest which we estimated to be \$2.6 million at December 31, 2007. We recorded the aggregate \$48.1 million as a provision for litigation as of December 31, 2007. During 2008, we recorded an additional provision of approximately \$17.5 million for potential additional infringement damages and interest. On July 1, 2008, the court denied our motions for Judgment as a Matter of Law (JMOL), Obviousness, and a New Trial. The court also denied Akamai's Motion for Permanent Injunction as premature and denied its Motions for Summary Judgment regarding our equitable defenses. The court conducted a bench trial in November 2008 regarding our equitable defenses. We also filed a motion for reconsideration of the court's earlier denial of our motion for JMOL. Our motion for reconsideration of JMOL was based largely upon a clarification in the standard for a finding of joint infringement articulated by the Federal Circuit in the case of *Muniauction, Inc. v. Thomson Corp.*, released after the court denied our initial motion for JMOL. On April 24, 2009 the court issued its order and memorandum setting aside the adverse jury verdict and ruling that we did not infringe Akamai's 703 patent and that we are entitled to JMOL. Based upon the court's April 24, 2009 order we have reversed the \$65.6 million provision for litigation previously recorded for this lawsuit as we no longer believe that payment of any amounts represented by the litigation provision is probable. The court entered final judgment in favor of us. Akamai filed a notice of appeal of the court's decision on May 26, 2009. The Court of Appeals for the Federal Circuit heard arguments by both parties on June 7, 2010. On December 20, 2010 the Court of Appeals for the Federal Circuit issued its opinion affirming the District Court's entry of judgment in our favor. On February 18, 2011, Akamai filed a motion with the Court of Appeals for the Federal Circuit seeking a rehearing and rehearing *en banc*. On April 21, 2011, the Court of Appeals for the Federal Circuit issued an order denying the petition for rehearing, granting the petition for rehearing *en banc*, vacating the December 20, 2010 opinion affirming the District Court's entry of judgment in our favor, and reinstated the appeal. On November 18, 2011, the Federal Circuit heard oral argument regarding the case. We believe that we presented our case and positions well both in our briefs and in oral argument. The issues in this case are complex, and it is likely that it will be several months before the Federal Circuit publishes its opinion in the case. We believe that we do not infringe Akamai's patents and will continue to vigorously defend our position; however, we cannot provide any assurance that the lawsuit ultimately will be resolved in our favor. An adverse ruling could seriously impact our ability to conduct our business and to offer our products and services to our customers. A permanent injunction could prevent us from operating our content delivery services or from delivering certain types of traffic, which could impact the viability of our business. Any adverse ruling, in turn, would harm our revenue, market share, reputation, liquidity and overall financial position. We are not able at this time to estimate the range of potential loss nor, in light of the favorable United States district court order, do we believe that a loss is probable. Therefore, we have made no provision for this lawsuit in our financial statements.

In the ordinary course of our business, we are also involved in a limited number of other legal actions, both as plaintiff and defendant, and could incur uninsured liability in any one or more of them. With respect to pending legal actions to which we are a party, although the outcomes of these actions are not generally determinable, we believe that the ultimate resolution of these matters will not have a material adverse effect on our financial position, cash flows or results of operations. Litigation relating to the content delivery services industry is not uncommon, and we are, and from time to time have been, subject to such litigation. No assurances can be given with respect to the extent or outcome of any such litigation in the future.

ITEM 1A. RISK FACTORS

Investments in the equity securities of publicly traded companies involve significant risks. Our business, prospects, financial condition or operating results could be materially adversely affected by the risks identified below, as well as other risks not currently known to us or that we currently consider immaterial. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing the risks described below, you should also refer to the information contained in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and the related notes, as well as our Annual Report on Form 10-K for the year ended December 31, 2011 and other documents that we file from time to time with the SEC.

Risks Related to Our Business

We currently face competition from established competitors and may face competition from others in the future.

We compete in markets that are intensely competitive, rapidly changing and characterized by constantly declining prices and vendors offering a wide range of content delivery solutions. We have experienced and expect to continue to experience increased competition, and particularly aggressive price competition. Many of our current competitors, as well as a number of our potential competitors, have longer operating histories, greater name recognition, broader customer relationships and industry alliances and substantially greater financial, technical and marketing resources than we do. As a consequence of the competitive dynamics in our market we have experienced reductions in our prices, which in turn adversely affect our revenue, gross margin and operating results.

Our primary competitors for content delivery services include Akamai, Level 3 Communications, AT&T, Amazon, CDNetworks, Edgecast, and Internap Network Services Corporation, which acquired VitalStream. Also, as a result of the growth of the content delivery market, a number of

companies have recently entered or are currently attempting to enter our market, either

Table of Contents

directly or indirectly, some of which may become significant competitors in the future. Given the relative ease by which customers typically can switch among content delivery service providers, differentiated offerings or pricing by competitors could lead to a rapid loss of customers. Some of our current or potential competitors may bundle their offerings with other services, software or hardware in a manner that may discourage content providers from purchasing the services that we offer. In addition, as we expand internationally, we face different market characteristics and competition with local content delivery service providers, many of which are very well positioned within their local markets. Increased competition could result in price reductions and revenue shortfalls, loss of customers and loss of market share, which could harm our business, financial condition and results of operations.

Our primary competitors for our SaaS services include Brightcove, Ooyala, Unicorn Media, Sitecore, Adobe, Crown Peak and Interwoven, as well as open source products such as Drupal. However, the competitive landscape is different from content delivery in this area in that changing vendors can be costly and complicated for the customer.

If we are unable to sell our services at acceptable prices relative to our costs, our revenue and gross margins will decrease, and our business and financial results will suffer.

Prices for content delivery services have fallen in recent years and are likely to fall further in the future. We have invested significant amounts in purchasing capital equipment to increase the capacity of our global computing network. For example, in 2009, 2010 and 2011 we invested \$20.4 million, \$33.5 million and \$30.4 million, respectively, in capital expenditures primarily for computer equipment associated with the build-out and expansion of our global computing network. For the six month period ended June 30, 2012, we invested \$10.1 million. Our investments in our infrastructure are based upon our assumptions regarding future demand and also prices that we will be able to charge for our services. These assumptions may prove to be wrong. If the price that we are able to charge customers to deliver their content falls to a greater extent than we anticipate, if we over-estimate future demand for our services or if our costs to deliver our services do not fall commensurate with any future price declines, we may not be able to achieve acceptable rates of return on our infrastructure investments and our gross profit and results of operations may suffer dramatically.

During 2012, as we further expand our global computing network and the suite of content delivery services and VAS and begin to refresh our network equipment, we expect our capital expenditures to be approximately 8% to 10% of our total revenue. As a consequence, we are dependent on significant future growth in demand for our services to justify these additional expenditures. If we fail to generate significant additional demand for our services, our results of operations will suffer, and we may fail to achieve planned or expected financial results. There are numerous factors that could, alone or in combination with other factors, impede our ability to increase revenue, moderate expenses or maintain gross margins, including:

continued price declines arising from significant competition with respect to content delivery services and our VAS;

increasing settlement fees for certain peering relationships;

failure to increase sales of our core content delivery services or to grow our VAS;

increases in electricity, bandwidth and rack space costs or other operating expenses, and failure to achieve decreases in these costs and expenses relative to decreases in the prices we can charge for our services and products;

inability to maintain our prices relative to our costs;

failure of our current and planned services and software to operate as expected;

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

loss of any significant customers or loss of existing customers at a rate greater than our increase in new customers or our sales to existing customers;

failure to increase sales of our services to current customers as a result of their ability to reduce their monthly usage of our services to their minimum monthly contractual commitment;

failure of a significant number of customers to pay our fees on a timely basis or at all or failure to continue to purchase our services in accordance with their contractual commitments; and

inability to attract high quality customers to purchase and implement our current and planned services.

We expect a significant and increasing portion of our revenue to be derived from our VAS offerings. Our VAS tend to have higher gross margins than our content delivery services. Our revenue from VAS offerings comprised approximately 26% of our total revenue for the year ended December 31, 2011. For the three and six month periods ended June 30, 2012, VAS comprised approximately 32% and 31%, respectively, of our total revenue. We do not have a long history of offering these VAS, and we may not be able to achieve the growth rates in such services revenue that we or our investors expect. There are numerous companies that compete in providing VAS, and many of these companies have greater financial and sales resources than we do. We may not be successful in competing against current and new providers of VAS. If we are unable to achieve the growth rates in our VAS revenue that we expect, our revenue and operating results could be significantly and negatively affected.

Table of Contents

If we are unable to develop new services and enhancements to existing services or fail to predict and respond to emerging technological trends and customers' changing needs, our operating results may suffer.

The market for our content delivery services and VAS is characterized by rapidly changing technology, evolving industry standards and new product and service introductions. Our operating results depend on our ability to predict user preferences or industry changes, and modify our solutions and services on a timely basis or develop and introduce new services into existing and emerging markets. The process of developing new technologies is complex and uncertain. We must commit significant resources to developing new services or enhancements to our existing services before knowing whether our investments will result in services the market will accept. Furthermore, we may not execute successfully our technology initiatives because of errors in planning or timing, technical hurdles that we fail to overcome in a timely fashion, misunderstandings about market demand or a lack of appropriate resources. As prices for content delivery services continue to fall, we will increasingly rely on new product offerings and other VAS to maintain or increase our gross margins. Failures in execution, delays in bringing new or improved products or services to market, failure to effectively integrate service offerings or market acceptance of new services we introduce could result in competitors providing those solutions before we do, which could lead to loss of market share, revenue and earnings.

Rapidly evolving technologies or new business models could cause demand for our content delivery services and VAS to decline or could cause these services to become obsolete.

Customers or third parties may develop technological or business model innovations that address content management and delivery requirements in a manner that is, or is perceived to be, equivalent or superior to our content delivery services and VAS. If competitors introduce new products or services that compete with or surpass the quality or the price or performance of our services, we may be unable to renew our agreements with existing customers or attract new customers at the prices and levels that allow us to generate attractive rates of return on our investment. For example, one or more third parties might develop improvements to current peer-to-peer technology, which is a technology that relies upon the computing power and bandwidth of its participants, such that this technological approach is better able to deliver content in a way that is competitive to our content delivery services, or even makes content delivery services obsolete. We may not anticipate such developments and may be unable to adequately compete with these potential solutions. In addition, our customers' business models may change in ways that we do not anticipate, and these changes could reduce or eliminate our customers' needs for content delivery or digital asset management services. If this occurred, we could lose customers or potential customers, and our business and financial results would suffer. As a result of these or similar potential developments, in the future it is possible that competitive dynamics in our market may require us to reduce our prices, which could harm our revenue, gross margin and operating results.

More individuals are using mobile devices to access the Internet, and the solutions developed for these devices may not be widely deployed.

The number of people who access the Internet through devices other than PCs, including mobile devices, game consoles and television set-top devices, has increased dramatically in the past few years. The lower resolution, functionality and memory associated with alternative devices make the use of our service offerings through these devices more difficult and potentially less effective. If we are unable to deliver our service offerings to a substantial number of alternative device users or if we are slow to develop services and technologies that are more compatible with mobile devices, we will fail to capture a significant share of an increasingly important portion of the market. Such a failure could limit our ability to compete effectively in an industry that is rapidly growing and changing.

Any unplanned interruption in the functioning of our network or services or attacks on our internal information technology systems could lead to significant costs and disruptions that could reduce our revenue and harm our business, financial results and reputation.

Our business is dependent on providing our customers with fast, efficient and reliable distribution of content delivery and digital asset management services over the Internet. Many of our customers depend primarily or exclusively on our services to operate their businesses. Consequently, any disruption of our services could have a material impact on our customers' businesses. Our network or services could be disrupted by numerous events, including natural disasters, failure or refusal of our third party network providers to provide the necessary capacity or access, failure of our software or global computing platform infrastructure and power losses. In addition, we deploy our servers in third party co-location facilities, and these third-party co-location providers could experience system outages or other disruptions that could constrain our ability to deliver our services. We may also experience disruptions caused by software viruses, unauthorized hacking of our systems or other cyber attacks by unauthorized users. Any unauthorized hacking of our systems or other cyber attacks by unauthorized users could lead to the unauthorized release of confidential information which could damage our business.

While we have not experienced any significant, unplanned disruption of our services to date, our network may fail in the future. Despite our significant infrastructure investments, we may have insufficient communications and server capacity to address these or other disruptions, which could result in interruptions in our services. Any widespread interruption of the functioning of our content delivery services and VAS for any reason would reduce our revenue and could harm our business and financial

Table of Contents

results. If such a widespread interruption occurred or if we failed to deliver content to users as expected during a high-profile media event, game release or other well-publicized circumstance, our reputation could be damaged severely. Moreover, any disruptions or security breaches could undermine confidence in our services and cause us to lose customers or make it more difficult to attract new ones, either of which could harm our business and results of operations.

We are a party to a lawsuit with a significant competitor, and an adverse outcome in that lawsuit is possible, which could have a significant, adverse effect on our financial condition and operations. If an injunction were entered against us, it could force us to cease providing some significant portion of our content delivery services.

We are currently a defendant in one significant lawsuit and formerly a defendant in two other significant lawsuits (see discussion in Legal Proceedings in Part II, Item 1 of this Quarterly Report on Form 10-Q). In the Akamai case, we currently have a favorable ruling, but we cannot provide any assurance that this favorable ruling will not be overturned or reversed on appeal, or that the ultimate outcome of that lawsuit will not be materially adverse to us. The expenses of defending these lawsuits and other lawsuits to which we are or may become a party, particularly fees paid to our lawyers and expert consultants, have been significant and may continue to adversely affect our operating results during the pendency of the lawsuits. Also, this litigation has been a distraction to our management in operating our business.

In *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, the trial court entered judgment in our favor, the Federal Circuit Court of Appeals affirmed the decision of the trial court, and we are now awaiting a further decision from the Federal Circuit Court of Appeals following a re-hearing *en banc*. Initially at the trial court, a jury returned a verdict in February 2008 against us, finding that we infringed four claims of one patent at issue in that lawsuit, and awarded damages of approximately \$45.5 million plus pre-judgment interest estimated to be \$2.6 million. An additional provision of approximately \$17.5 million for potential additional infringement damages and interest was recorded during the year ended December 31, 2008. In November 2008, a bench trial was conducted regarding our equitable defenses. We filed a renewed motion for JMOL, and, on May 27, 2009, the court entered JMOL that we did not infringe Akamai's patent. Akamai appealed that judgment and, on December 20, 2010, the Court of Appeals for the Federal Circuit affirmed the District Court's grant of our motion for JMOL. On February 18, 2011, Akamai filed a motion with the Court of Appeals for the Federal Circuit seeking a rehearing and rehearing *en banc*. On April 21, 2011, the Court of Appeals for the Federal Circuit issued an order denying the petition for rehearing, granting the petition for rehearing *en banc*, vacating the December 20, 2010 opinion affirming the District Court's entry of judgment in our favor, and reinstated the appeal. On November 18, 2011, the Federal Circuit heard oral argument regarding the case. The issues in this case are complex, and it is likely that it will be several months after the hearing before the Federal Circuit publishes its opinion in the case. We believe that we do not infringe Akamai's patents and will continue to vigorously defend our position; however, we cannot provide any assurance that the lawsuit ultimately will be resolved in our favor. An adverse ruling could seriously impact our ability to conduct our business and to offer our products and services to our customers. A permanent injunction could prevent us from operating our content delivery services or from delivering certain types of traffic, which could impact the viability of our business. Any adverse ruling, in turn, would harm our revenue, market share, reputation, liquidity and overall financial position.

We are from time to time party to other lawsuits in addition to that described above. Lawsuits are expensive to defend and to prosecute, and require a diversion of management time and attention away from other activities to pursue the defense or prosecution of such matters. Adverse ruling in such lawsuits either alone or cumulatively may have an adverse impact on our revenue, expenses, market share, reputation, liquidity and overall financial position.

We may need to defend our intellectual property and processes against patent or copyright infringement claims, which would cause us to incur substantial costs and threaten our ability to do business.

Companies, organizations or individuals, including our competitors, may hold or obtain patents or other proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our services or develop new services, which could make it more difficult for us to operate our business. From time to time, we may receive inquiries from holders of patents inquiring whether we infringe their proprietary rights. Companies holding Internet-related patents or other intellectual property rights are increasingly bringing suits alleging infringement of such rights or otherwise asserting their rights and seeking licenses. In addition, many of our agreements with customers require us to indemnify such customers for third-party intellectual property infringement claims against them. Pursuant to such agreements, we may be required to defend such customers against certain claims which could cause us to incur additional significant costs. Any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources. See Legal Proceedings in Part II, Item 1 of this Quarterly Report on Form 10-Q. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

cease selling, incorporating or using products or services that incorporate the challenged intellectual property;

pay substantial damages;

obtain a license from the holder of the infringed intellectual property right, which license may or may not be available on reasonable terms or at all; or

redesign products or services.

Table of Contents

If we are forced to take any of these actions, our business may be seriously harmed. In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology, our business and operating results could be harmed.

Our business will be adversely affected if we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. These legal protections afford only limited protection, and, as of June 30, 2012, we have 32 currently issued U.S. patents and six currently issued Australian patents. Monitoring infringement of our intellectual property rights is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our intellectual property rights. We have applied for patent protection in a number of foreign countries, but the laws in these jurisdictions may not protect our proprietary rights as fully as in the United States. Furthermore, we cannot be certain that any pending or future patent applications will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent that may be issued will provide competitive advantages to us.

We use certain open-source software the use of which could result in our having to distribute our proprietary software, including our source code, to third parties on unfavorable terms which could materially affect our business.

Certain of our service offerings use software that is subject to open-source licenses. Open-source code is software that is freely accessible, usable and modifiable. Certain open-source code is governed by license agreements, the terms of which could require users of such open-source code to make any derivative works of such open-source code available to others on unfavorable terms or at no cost. Because we use open-source code, we may be required to take remedial action to protect our proprietary software. Such action could include replacing certain source code used in our software, discontinuing certain of our products or taking other actions that could divert resources away from our development efforts.

In addition, the terms relating to disclosure of derivative works in many open-source licenses are unclear. We periodically review our compliance with the open-source licenses we use and do not believe we will be required to make our proprietary software freely available. However, if a court interprets one or more such open-source licenses in a manner that is unfavorable to us, we could be required to make our software available at no cost.

If we fail to manage future growth effectively, we may not be able to market and sell our services successfully.

Our future operating results depend to a large extent on our ability to manage expansion and growth successfully. Risks that we face in undertaking this expansion include: training new sales personnel in our varied and increasing offerings, to become productive and generate revenue; forecasting revenue; controlling expenses and investments in anticipation of expanded operations; implementing and enhancing our global computing platform and administrative infrastructure, systems and processes; addressing new markets; and expanding international operations. A failure to manage our growth effectively could materially and adversely affect our ability to market and sell our products and services.

If we fail to maintain proper and effective internal controls or fail to implement our controls and procedures with respect to acquired or merged operations, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and investors' views of us.

We must ensure that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis. We are required to spend considerable effort on establishing and maintaining our internal controls, which is costly and time-consuming and needs to be re-evaluated frequently.

We have operated as a public company since June 2007, and we will continue to incur significant legal, accounting and other expenses as we comply with the Sarbanes-Oxley Act of 2002, as well as new rules implemented from time to time by the SEC and the Nasdaq Global Select Market. These rules impose various requirements on public companies, including requiring changes in corporate governance practices, increased reporting of compensation arrangements and other requirements. Our management and other personnel will continue to devote a substantial amount of time to these compliance initiatives. Moreover, new rules and regulations will likely increase our legal and financial compliance costs and make some activities more time-consuming and costly. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include in our annual report our assessment of the effectiveness of our internal control over financial reporting and our audited financial statements as of the end of each fiscal year. Furthermore, our independent registered

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

public accounting firm, Ernst & Young LLP (E&Y), is required to report on whether it believes we maintained, in all material respects, effective internal control over financial reporting as of the end of the year. We successfully completed our assessment and obtained E&Y's attestation as to the effectiveness of our internal control over financial reporting as of December 31,

Table of Contents

2011, 2010 and 2009, respectively. Our continued compliance with Section 404 will require that we incur substantial expense and expend significant management time on compliance related issues, including our efforts in implementing controls and procedures related to acquired or merged operations. We currently do not have an internal audit group and use an international accounting firm to assist us with our assessment of the effectiveness of our internal controls over financial reporting. In future years, if we fail to timely complete this assessment, or if E&Y cannot timely attest, there may be a loss of public confidence in our internal controls, the market price of our stock could decline, and we could be subject to regulatory sanctions or investigations by the Nasdaq Global Select Market, the SEC or other regulatory authorities, which would require additional financial and management resources. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to timely meet our regulatory reporting obligations.

We may lose customers if they elect to develop content delivery services and other competitive VAS solutions internally.

Our customers and potential customers may decide to develop their own content delivery, web and video content management and other digital presence management solutions rather than outsource these solutions to services providers like us. This is particularly true as our customers increase their operations and begin expending greater resources on delivering their content using third party solutions. If we fail to offer content delivery, web and video content management and other related services that are competitive to in-sourced solutions, we may lose additional customers or fail to attract customers that may consider pursuing this in-sourced approach, and our business and financial results would suffer.

We may lose customers if they are unable to build business models that effectively monetize delivery of their content.

Some of our customers will not be successful in selling advertising or otherwise monetizing the content we deliver on their behalf and consequently may not be successful in creating a profitable business model. This will result in some of our customers discontinuing their Internet or web-based business operations and discontinuing use of our services and solutions. Further, weakness and related uncertainty in the global financial markets and economy which has included, among other things, significant reductions in available capital and liquidity from banks and other providers of credit, substantial reductions and/or fluctuations in equity and currency values worldwide and concerns that portions of the worldwide economy may be in a prolonged recessionary period may materially adversely impact our customers' access to capital or willingness to spend capital on our services or in some cases, ultimately cause the customer to file for protection from creditors under applicable insolvency or bankruptcy laws or simply go out of business. This uncertainty may also impact our customers' levels of cash liquidity, which could affect their ability or willingness to timely pay for services that they will order or have already ordered from us. From time to time we discontinue service to customers for non-payment of services. We expect further customers may discontinue operations or not be willing or able to pay for services that they have ordered from us. Further loss of customers may adversely affect our financial results.

Our business depends on a strong brand reputation, and if we are not able to maintain and enhance our brands, our business will suffer.

We believe that maintaining and enhancing the Limelight Networks brand is important to expanding our base of customers and maintaining brand loyalty among customers, particularly in North America where brand perception can impact the competitive position in other markets worldwide, and that the importance of brand recognition will increase due to the growing number of competitors providing similar services and solutions. Maintaining and enhancing our brand may require us to make substantial investments in research and development and in the marketing of our solutions and services and these investments may not be successful. If we fail to promote and maintain the Limelight Networks brand, or if we incur excessive expenses in this effort, our business and results of operations could be adversely impacted. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Maintaining and enhancing our brand will depend largely on our ability to be a technology leader and to continue to provide high quality solutions and services, which we may not do successfully.

We depend on a limited number of customers for a substantial portion of our revenue in any fiscal period, and the loss of, or a significant shortfall in demand from these customers could significantly harm our results of operations.

During any given fiscal period, a relatively small number of customers typically account for a significant percentage of our revenue. For example, in 2009, 2010 and 2011, sales to our top 10 customers accounted for approximately 36%, 34% and 34%, respectively, of our total revenue. During the six month period ended June 30, 2012, sales to our top 10 customers accounted for approximately 32% of our total revenue. During the six month period ended June 30, 2012, we had one customer, Netflix, which represented more than 10% of our total revenue. During that period, Netflix represented approximately 11% of our total revenue. During 2011, we had one customer, Netflix, which represented more than 10% of our total revenue. For the year ended December 31, 2011, Netflix represented approximately 11% of our total revenue. During 2010, we had no customer that accounted for more than 10% of our total revenue. During 2009 we had one customer, Microsoft, which represented more than 10% of our total revenue. For the year ended December 31, 2009, Microsoft represented approximately 14% of our total revenue. Netflix, Microsoft and other large customers may not continue to be as significant going forward as they have been in the past. For example, during 2012, we anticipate that our revenue from Microsoft will decline from that earned in 2011 and 2010 and as a percent of our total revenue.

Table of Contents

In the past, the customers that comprised our top 10 customers have continually changed, and we also have experienced significant fluctuations in our individual customers' usage of our services. As a consequence, we may not be able to adjust our expenses in the short term to address the unanticipated loss of a large customer during any particular period. As such, we may experience significant, unanticipated fluctuations in our operating results which may cause us to not meet our expectations or those of stock market analysts, which could cause our stock price to decline.

If we are unable to attract new customers or to retain our existing customers, our revenue could be lower than expected and our operating results may suffer.

In addition to adding new customers, to increase our revenue, we must sell additional services to existing customers and encourage existing customers to increase their usage levels. If our existing and prospective customers do not perceive our services to be of sufficiently high value and quality, we may not be able to retain our current customers or attract new customers. We sell our services pursuant to service agreements that generally include some form of financial minimum commitment. Our customers have no obligation to renew their contracts for our services after the expiration of their initial commitment, and these service agreements may not be renewed at the same or higher level of service, if at all. Moreover, under some circumstances, some of our customers have the right to cancel their service agreements prior to the expiration of the terms of their agreements. This fact, in addition to the changing competitive landscape in our market, means that we cannot accurately predict future customer renewal rates or usage rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including:

their satisfaction or dissatisfaction with our services;

the prices of our services;

the prices of services offered by our competitors;

discontinuation by our customers of their Internet or web-based content distribution business;

mergers and acquisitions affecting our customer base; and

reductions in our customers' spending levels.

If our customers do not renew their service agreements with us or if they renew on less favorable terms, our revenue may decline and our business may suffer. Similarly, our customer agreements often provide for minimum commitments that are often significantly below our customers' historical usage levels. Consequently, even if we have agreements with our customers to use our services, these customers could significantly curtail their usage without incurring any penalties under our agreements. In this event, our revenue would be lower than expected and our operating results could suffer.

It also is an important component of our growth strategy to market our services and solutions to industries, such as enterprise and the government. As an organization, we do not have significant experience in selling our services into these markets. We have only recently begun a number of these initiatives, and our ability to successfully sell our services into these markets to a meaningful extent remains unproven. If we are unsuccessful in such efforts, our business, financial condition and results of operations could suffer.

Our results of operations may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of securities analysts or investors, which could cause our stock price to decline.

Our results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control. If our results of operations fall below the expectations of securities analysts or investors, the price of our common stock could decline substantially. In addition to the effects of other risks discussed in this section, fluctuations in our results of operations may be due to a number of factors, including:

our ability to increase sales to existing customers and attract new customers to our content delivery services and VAS;

the addition or loss of large customers, or significant variation in their use of our content delivery services and VAS;

costs associated with current or future intellectual property lawsuits and other lawsuits;

service outages or third party security breaches to our platform or to one or more of our customers' platforms;

the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business, operations and infrastructure;

the timing and success of new product and service introductions by us or our competitors;

Table of Contents

the occurrence of significant events in a particular period that result in an increase in the use of our content delivery services and VAS, such as a major media event or a customer's online release of a new or updated video game;

changes in our pricing policies or those of our competitors;

the timing of recognizing revenue;

limitations of the capacity of our global computing platform and related systems;

the timing of costs related to the development or acquisition of technologies, services or businesses;

the potential write-down or write-off of goodwill associated with business operations that have been disposed of, such as goodwill currently on our balance sheet associated with the initial acquisitions of EyeWonder and Chorus;

general economic, industry and market conditions (such as the fluctuations experienced in the stock and credit markets during the recent deterioration of global economic conditions) and those conditions specific to Internet usage;

limitations on usage imposed by our customers in order to limit their online expenses; and

war, threat of war or terrorist actions, including cyber terrorism targeted broadly, at us, or our customers, or both, and inadequate cyber security.

We believe that our revenue and results of operations may vary significantly in the future and that period-to-period comparisons of our operating results may not be meaningful. You should not rely on the results of one period as an indication of future performance.

After being profitable in 2004 and 2005, we were unprofitable in 2006, 2007, 2008, 2010 and 2011 primarily due to increased share-based compensation expense and litigation costs, which could affect our ability to achieve and maintain profitability in the future. We would have been unprofitable in 2009, had we not reversed a significant reserve for litigation.

Our adoption of ASC 718 (formerly FAS 123R) in 2006 substantially increased the amount of share-based compensation expense we record and has had a significant impact on our results of operations. After being profitable in 2004 and 2005, we were unprofitable in 2006, 2007, 2008, 2010 and 2011 partially due to our share-based compensation expense which was \$0.1 million in 2005, \$9.2 million in 2006, \$18.9 million in 2007, \$18.1 million in 2008, \$16.2 million in 2010, and \$15.9 million in 2011. We were profitable in 2009 due to the reversal of a significant reserve for litigation; however, our share-based compensation was still significant at \$17.5 million for the year. This significant amount of share-based compensation expense reflects an increase in the level of stock options, restricted stock and restricted stock unit (RSU) grants. For the six month period ended June 30, 2012, our share-based compensation expense was approximately \$7.2 million. Our unrecognized share-based compensation expense totaled \$25.5 million at June 30, 2012 based on current outstanding stock options and restricted stock units, of which we expect to amortize \$7.5 million during the remainder of 2012, \$9.6 million in 2013 and the remainder thereafter based upon the scheduled vesting of the options, restricted stock and RSUs outstanding at that time. Our share-based compensation expense could adversely affect our ability to achieve and maintain profitability in the future. In 2006, we were sued by Akamai and MIT alleging infringement of certain patents, and, in December 2007, we were sued by Level 3 Communications alleging infringement of certain patents. We have incurred, and will potentially continue to incur, significant costs associated with litigation. These costs were \$3.1 million, \$7.3 million, \$20.8 million, \$5.4 million, \$2.1 million and \$1.4 million, respectively, in 2006, 2007, 2008, 2009, 2010 and 2011, respectively. For the six month period ended June 30, 2012, we incurred approximately \$18,000 in litigation costs. These costs may continue to be significant during 2012.

We generate our revenue primarily from the sale of content delivery services, and the failure of the market for these services to expand as we expect or the reduction in spending on those services by our current or potential customers would seriously harm our business.

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

While we offer our customers a number of services and solutions associated with our global computing platform, we generate the majority of our revenue from charging our customers for the content delivered on their behalf through our global computing platform. We are subject to an elevated risk of reduced demand for these services. Furthermore, if the market for delivery of rich media content in particular does not continue to grow as we expect or grows more slowly, then we may fail to achieve a return on the significant investment we are making to prepare for this growth. Our success, therefore, depends on the continued and increasing reliance on the Internet for delivery of media content and our ability to cost-effectively deliver these services. Factors that may have a general tendency to limit or reduce the number of users relying on the Internet for media content, the amount of content consumed by our customers' users or the number of providers making this content available online include a general decline in Internet usage, litigation involving our customers and third party restrictions on online content, including copyright restrictions, digital rights management and restrictions in certain geographic regions, system impairments or outages, including those caused by hacking or cyber attacks, as well as a significant increase in the quality or fidelity of offline media content beyond that available online to the point where users prefer the offline experience. The influence of any of these factors may cause our current or potential customers to reduce their spending on content delivery services, which would seriously harm our operating results and financial condition.

Table of Contents

Many of our significant current and potential customers are pursuing emerging or unproven business models which, if unsuccessful, could lead to a substantial decline in demand for our content delivery services and VAS.

Because the proliferation of broadband Internet connections and the subsequent monetization of content libraries for distribution to Internet users are relatively recent phenomena, many of our customers' business models that center on the delivery of rich media and other content to users remain unproven. For example, social media companies have been among our top recent customers and are pursuing emerging strategies for monetizing the user content and traffic on their websites. Our customers will not continue to purchase our content delivery services and VAS if their investment in providing access to the media stored on or deliverable through our global computing platform does not generate a sufficient return on their investment. A reduction in spending on services by our current or potential customers would seriously harm our operating results and financial condition.

We may have difficulty scaling and adapting our existing architecture to accommodate increased traffic and technology advances or changing business requirements, which could lead to the loss of customers and cause us to incur unexpected expenses to make network improvements.

Our content delivery services and VAS are highly complex and are designed to be deployed in and across numerous large and complex networks. Our global computing platform infrastructure has to perform well and be reliable for us to be successful. The greater the user traffic and the greater the complexity of our solutions and services, the more resources we will need to invest in additional infrastructure and support. Further, as a result of the adverse jury verdict in February 2008 in the Akamai Technologies, Inc. v. Limelight Networks, Inc. lawsuit, which verdict was overturned by the court's April 24, 2009 order granting our motion for JMOL, we made significant investment in designing and implementing changes to our network architecture in order to implement our content delivery services in a manner we believe does not infringe the claims of Akamai's 703 patent as alleged in the February 2008 trial. We have spent and expect to continue to spend substantial amounts on the purchase and lease of equipment and data centers and the upgrade of our technology and network infrastructure to handle increased traffic over our network, implement changes to our network architecture and integrate existing solutions and to roll out new solutions and services. This expansion is expensive and complex and could result in inefficiencies, operational failures or defects in our network and related software. If we do not implement such changes or expand successfully, or if we experience inefficiencies and operational failures, the quality of our solutions and services and user experience could decline. From time to time, we have needed to correct errors and defects in our software or in other aspects of our network. In the future, there may be additional errors and defects that may harm our ability to deliver our services, including errors and defects originating with third party networks or software on which we rely. These occurrences could damage our reputation and lead us to lose current and potential customers. We must continuously upgrade our infrastructure in order to keep pace with our customers' evolving demands. Cost increases or the failure to accommodate increased traffic or these evolving business demands without disruption could harm our operating results and financial condition.

Our operations are dependent in part upon communications capacity provided by third party telecommunications providers. A material disruption of the communications capacity we have leased could harm our results of operations, reputation and customer relations.

We lease private line capacity for our backbone from a third party provider, Global Crossing. Our contracts for private line capacity with Global Crossing generally have terms of three to four years. In January 2012, March 2011, and January and September 2009, we amended our agreement with Global Crossing to enhance the private line capacity for our backbone. The communications capacity we have leased may become unavailable for a variety of reasons, such as physical interruption, technical difficulties, contractual disputes, or the financial health of our third party provider. Further, Level 3 Communications LLC, one of our direct competitors recently acquired Global Crossing. Although alternative providers are available, it would be time consuming and expensive to identify and obtain alternative third party connectivity, and accordingly we are dependent on Global Crossing in the near term. Failure of Global Crossing could jeopardize utilization of the service fees pre-paid by us under our agreement with Global Crossing. Additionally, as we grow, we anticipate requiring greater private line capacity than we currently have in place. If we are unable to obtain such capacity on terms commercially acceptable to us or at all, our business and financial results would suffer. We may not be able to deploy on a timely basis enough network capacity to meet the needs of our customer base or effectively manage demand for our services.

Our business depends on continued and unimpeded access to third party controlled end-user access networks.

Our content delivery services depend on our ability to access certain end-user access networks in order to complete the delivery of rich media and other online content to end-users. Some operators of these networks may take measures, such as the deployment of a variety of filters, that could degrade, disrupt or increase the cost of our or our customers' access to certain of these end-user access networks by restricting or prohibiting the use of their networks to support or facilitate our services, or by charging increased fees to us, our customers or end-users in connection with our services. This or other types of interference could result in a loss of existing customers, increased costs and impairment of our ability to attract new customers, thereby harming our revenue and growth.

Table of Contents

In addition, the performance of our infrastructure depends in part on the direct connection of our global computing platform to a large number of end-user access networks, known as peering, which we achieve through mutually beneficial cooperation with these networks. In some instances, network operators charge us for the peering connections. If, in the future, a significant percentage of these network operators elected to no longer peer with our network or peer with our network on less favorable economic terms, then the performance of our infrastructure could be diminished, our costs could increase and our business could suffer.

If our ability to deliver media files in popular proprietary content formats was restricted or became cost-prohibitive, demand for our content delivery services could decline, we could lose customers and our financial results could suffer.

Our business depends on our ability to deliver media content in all major formats. If our legal right or technical ability to store and deliver content in one or more popular proprietary content formats, such as Adobe Flash or Windows Media, was limited, our ability to serve our customers in these formats would be impaired and the demand for our content delivery services and VAS would decline by customers using these formats. Owners of propriety content formats may be able to block, restrict or impose fees or other costs on our use of such formats, which could lead to additional expenses for us and for our customers, or which could prevent our delivery of this type of content altogether. Such interference could result in a loss of existing customers, increased costs and impairment of our ability to attract new customers, which would harm our revenue, operating results and growth.

As part of our business strategy, we may acquire businesses or technologies and may have difficulty integrating these operations.

We may seek to acquire businesses or technologies that are complementary to our business. For example, in May 2009, we acquired substantially all of the assets of Kiptronic, Inc., a developer of mobility and monetization solutions for content publishers; in January 2010, we acquired chors, an on-line and direct marketing solutions provider located in Germany; in April 2010, we acquired EyeWonder, a provider of interactive digital advertising products and services to advertisers; in July 2010, we acquired Delve, a provider of online video solutions to manage, publish, measure and monetize high quality video content on the Internet; and in May 2011, we acquired Clickability, a SaaS provider of web content management located in San Francisco, California, and AcceloWeb, a provider of advanced technology that helps speed the presentation of websites and applications located in Tel Aviv, Israel. We subsequently sold the EyeWonder and chors business operations in September 2011. Acquisitions involve a number of risks to our business, including the difficulty of integrating the operations, services, solutions and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of management, the possibility that our business culture and the business culture of the acquired companies will not be compatible, the difficulty of incorporating or integrating acquired technology and rights with or into our other services and solutions, expenses related to the acquisition and to the integration of the acquired companies, the impairment of relationships with employees and customers as a result of any integration of new personnel, risks related to the businesses of acquired companies that may continue to impact the businesses following the merger and potential unknown liabilities associated with acquired companies. Any inability to integrate services, solutions, operations or personnel in an efficient and timely manner could harm our results of operations.

In order to realize the expected benefits and synergies of our acquisition of acquired businesses, we must meet a number of significant challenges, including:

integrating the management teams, strategies, cultures, technologies and operations of the businesses;

retaining and assimilating the key personnel of each company;

retaining existing customers; and

implementing and retaining uniform standards, controls, procedures, policies and information systems.

It is possible that the integration process could result in the loss of the technical skills and management expertise of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies due to possible cultural conflicts or differences of opinions on technical decisions and services. A failure to integrate the acquired organizations successfully could adversely affect our ability to maintain relationships with customers, suppliers and employees or to achieve the anticipated benefits of an acquisition. Even if we are able to integrate acquired business operations successfully, these integrations may not result in the realization of the

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from these integrations, and these benefits may not be achieved within a reasonable period of time.

We have limited prior experience as a company in this complex process of acquiring and integrating businesses. If we are not successful in completing acquisitions that we may pursue in the future, we may be required to reevaluate our business strategy, and we may incur substantial expenses and devote significant management time and resources without a productive result. In addition, future acquisitions will require the use of our available cash or dilutive issuances of securities. Future acquisitions or attempted acquisitions could also harm our ability to achieve profitability. We may also experience significant turnover from the acquired operations or from our current operations as we integrate businesses.

Table of Contents

If we are unable to retain our key employees and hire qualified sales and technical personnel, our ability to compete could be harmed.

Our future success depends upon the continued services of our executive officers and other key technology, sales, marketing and support personnel who have critical industry experience and relationships that they rely on in implementing our business plan. In particular, we are dependent on the services of our Chief Executive Officer, Jeffrey W. Lunsford and also our Chief Technology Officer, Nathan F. Raciborski. Neither of these officers nor any of our other key employees is bound by an employment agreement for any specific term. There is increasing competition for talented individuals with the specialized knowledge to deliver content delivery services and VAS and this competition affects both our ability to retain key employees and hire new ones. The loss of the services of any of our key employees could disrupt our operations, delay the development and introduction of our services, and negatively impact our ability to sell our services.

We face risks associated with international operations that could harm our business.

We have operations in numerous foreign countries and may continue to expand our sales and support organizations internationally. As part of our growth strategy, we intend to expand our sales and support organizations internationally, as well as to further expand our international network infrastructure. We have limited experience in providing our services internationally and such expansion could require us to make significant expenditures, including the hiring of local employees, in advance of generating any revenue. As a consequence, we may fail to achieve profitable operations that will compensate our investment in international locations. We are subject to a number of risks associated with international business activities that may increase our costs, lengthen our sales cycle and require significant management attention.

These risks include:

increased expenses associated with sales and marketing, deploying services and maintaining our infrastructure in foreign countries;

competition from local content delivery service providers, many of which are very well positioned within their local markets;

challenges caused by distance, language and cultural differences;

unexpected changes in regulatory requirements preventing or limiting us from operating our global computing platform or resulting in unanticipated costs and delays;

interpretations of laws or regulations that would subject us to regulatory supervision or, in the alternative, require us to exit a country, which could have a negative impact on the quality of our services or our results of operations;

longer accounts receivable payment cycles and difficulties in collecting accounts receivable;

corporate and personal liability for violations of local laws and regulations;

currency exchange rate fluctuations;

potentially adverse tax consequences;

credit risk and higher levels of payment fraud; and

foreign exchange controls that might prevent us from repatriating cash earned in countries outside the United States.

We are subject to the effects of fluctuations in foreign exchange rates, which could affect our operating results.

The financial condition and results of operations of our operating foreign subsidiaries are reported in the relevant local currency and are then translated into U.S. dollars at the applicable currency exchange rate for inclusion in our consolidated U.S. dollar financial statements. Also, although a large portion of our customer agreements are denominated in U.S. dollars, we may be exposed to fluctuations in foreign exchange rates with respect to customer agreements with certain of our international customers. Exchange rates between these currencies and U.S. dollars in recent years have fluctuated significantly and may do so in the future. In addition to currency translation risk, we incur currency transaction risk whenever one of our operating subsidiaries enters into a transaction using a different currency than the relevant local currency. Given the volatility of exchange rates, we may be unable to manage our currency transaction risks effectively. Currency fluctuations could have a material adverse effect on our future international sales and, consequently, on our financial condition and results of operations.

Internet-related and other laws relating to taxation issues, privacy, data security and consumer protection and liability for content distributed over our network, could harm our business.

Laws and regulations that apply to communications and commerce conducted over the Internet are becoming more prevalent, both in the United States and internationally, and may impose additional burdens on companies conducting business online or providing Internet-related services such as ours. Increased regulation could negatively affect our business directly, as well as the

Table of Contents

businesses of our customers, which could reduce their demand for our services. For example, tax authorities abroad may impose taxes on the Internet-related revenue we generate based on where our internationally deployed servers are located. In addition, domestic and international taxation laws are subject to change. Our services, or the businesses of our customers, may become subject to increased taxation, which could harm our financial results either directly or by forcing our customers to scale back their operations and use of our services in order to maintain their operations. In addition, the laws relating to the liability of private network operators for information carried on, processed by or disseminated through their networks are unsettled, both in the United States and abroad. Network operators have been sued in the past, sometimes successfully, based on the content of material disseminated through their networks. We may become subject to legal claims such as defamation, invasion of privacy and copyright infringement in connection with content stored on or distributed through our network. In addition, our reputation could suffer as a result of our perceived association with the type of content that some of our customers deliver. If we need to take costly measures to reduce our exposure to these risks, or are required to defend ourselves against such claims, our financial results could be negatively affected.

Several other federal laws also could expose us to liability and impose significant additional costs on us. For example, the Digital Millennium Copyright Act has provisions that limit, but do not eliminate, our liability for the delivery of customer content that infringe copyrights or other rights, so long as we comply with certain statutory requirements. In addition, the Children's Online Privacy Protection Act restricts the ability of online services to collect information from minors and the Protection of Children from Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Also, there are emerging regulation and industry standards regarding the collection and use of personal information and protecting the security of data on networks. Compliance with these laws, regulations and standards is complex and any failure on our part to comply with these regulations may subject us to additional liabilities.

Privacy concerns could lead to legislative and other limitations on our ability to use cookies and video player cookies that are crucial to our ability to provide services to our customers.

Our ability to compile data for customers depends on the use of cookies and video player cookies to identify certain online behavior that allows our customers to measure a website or video's effectiveness. A cookie is a small file of information stored on a user's computer that allows us to recognize that user's browser or video player when the user makes a request for a web page or to play a video. Government authorities inside the United States concerned with the privacy of Internet users have suggested limiting or eliminating the use of cookies. Bills aimed at regulating the collection and use of personal data from Internet users are currently pending in United States Congress and many state legislatures. Attempts at such regulation may be drafted in such a way as to limit or prohibit the use of technology like cookies, thereby creating restrictions that could reduce our ability to use them. In addition, the Federal Trade Commission and the Department of Commerce have conducted hearings regarding user profiling, the collection of non-personally identifiable information and online privacy.

Our foreign operations may also be adversely affected by regulatory action outside the United States. For example, the European Union has adopted a directive addressing data privacy that limits the collection, disclosure and use of information regarding European Internet users. In addition, the European Union has enacted an electronic communications directive that imposes certain restrictions on the use of cookies and also places restrictions on the sending of unsolicited communications. Each European Union member country was required to enact legislation to comply with the provisions of the electronic communications directive by October 31, 2003 (though not all have done so). Germany has also enacted additional laws limiting the use of user profiling, and other countries, both in and out of the European Union, may impose similar limitations.

Internet users may directly limit or eliminate the placement of cookies on their computers by using third-party software that blocks cookies, or by disabling or restricting the cookie functions of their Internet browser software and in their video player software. Internet browser software upgrades also may result in limitations on the use of cookies. Technologies like the Platform for Privacy Preferences Project may limit collection of cookies. Plaintiffs' attorneys also have organized class action suits against companies related to the use of cookies and several companies, including companies in the Internet advertising industry, have had claims brought against them before the Federal Trade Commission regarding the collection and use of Internet user information. We may be subject to such suits in the future, which could limit or eliminate our ability to collect such information. If our ability to use cookies were substantially restricted due to the foregoing, or for any other reason, we would have to generate and use other technology or methods that allow the gathering of user data in order to provide services to customers. This change in technology or methods could require significant reengineering time and resources, and may not be complete in time to avoid negative consequences to our business. In addition, alternative technology or methods might not be available on commercially reasonable terms, if at all. If the use of cookies is prohibited and we are not able to efficiently and cost effectively create new technology, our business, financial condition and results of operations would be materially adversely affected. In addition, any compromise of security that results in the release of Internet users' and/or our customers' data could seriously limit the adoption of our service offerings as well as harm our reputation and brand, expose us to liability and subject us to reporting obligations under various state laws, which could have an adverse effect on our business. The risk that these types of events could seriously harm our business is likely to increase as the amount of data stored for customers on our servers and the number of countries where we operate has been increasing, and we may need to expend significant resources to protect against security breaches, which

could have an adverse effect on our business, financial condition or results of operations.

Table of Contents

If we are required to seek funding, such funding may not be available on acceptable terms or at all.

We may need to obtain funding due to a number of factors beyond our control, including a shortfall in revenue, increased expenses, final adverse judgments in litigation matters, increased investment in capital equipment or the acquisition of significant businesses or technologies. We believe that our cash, cash equivalents and marketable securities classified as current plus cash from operations will be sufficient to fund our operations and proposed capital expenditures for at least the next 12 months. However, we may need or desire funding before such time. If we do need to obtain funding, it may not be available on commercially reasonable terms or at all. If we are unable to obtain sufficient funding, our business would be harmed. Even if we were able to find outside funding sources, we might be required to issue securities in a transaction that could be highly dilutive to our investors or we may be required to issue securities with greater rights than the securities we have outstanding today. We might also be required to take other actions that could lessen the value of our common stock, including borrowing money on terms that are not favorable to us. If we are unable to generate or raise capital that is sufficient to fund our operations, we may be required to curtail operations, reduce our capabilities or cease operations in certain jurisdictions or completely.

Our business requires the continued development of effective business support systems to support our customer growth and related services.

The growth of our business depends on our ability to continue to develop effective business support systems. This is a complicated undertaking requiring significant resources and expertise. Business support systems are needed for:

implementing customer orders for services;

delivering these services; and

timely and accurate billing for these services.

Because our business plan provides for continued growth in the number of customers that we serve and services offered, there is a need to continue to develop our business support systems on a schedule sufficient to meet proposed service rollout dates. The failure to continue to develop effective business support systems could harm our ability to implement our business plans and meet our financial goals and objectives.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported results of operations.

A change in accounting standards or practices can have a significant effect on our operating results and may affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of existing accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. For example, our adoption of ASC 718 (formerly FAS 123R) in 2006 increased the amount of share-based compensation expense we recorded. This, in turn, has impacted our results of operations for the periods since this adoption and has made it more difficult to evaluate our recent financial results relative to prior periods.

We have incurred, and will continue to incur significantly increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance initiatives.

As a public company, we have incurred, and will continue to incur, significant accounting and other expenses that we did not incur as a private company. These expenses include increased accounting, legal and other professional fees, insurance premiums, investor relations costs, and costs associated with compensating our independent directors. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq Global Select Market, impose additional requirements on public companies, including requiring changes in corporate governance practices. For example, the listing requirements of the Nasdaq Global Select Market require that we satisfy certain corporate governance requirements relating to independent directors, audit committees, distribution of annual and interim reports, stockholder meetings, stockholder approvals, solicitation of proxies, conflicts of interest, stockholder voting rights and codes of conduct. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and make some activities more time-consuming and costly. For example, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance. These rules and regulations could also make it more difficult for us to identify and retain qualified

persons to serve on our board of directors, our board committees or as executive officers.

Table of Contents

Divestiture of our EyeWonder and chors rich media advertising services, or future divestitures of other businesses or product lines that we have acquired or will acquire, may materially adversely affect our financial condition, results of operations or cash flows, or may result in impairment charges that may adversely affect our results of operations.

We continue to evaluate the performance of all of our businesses and may sell businesses or product lines in the future. For example, on August 30, 2011, we announced that we entered into an agreement to sell our EyeWonder and chors rich media advertising unit to DG. The transaction closed on September 1, 2011. Divestitures involve risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of our business, the potential loss of key employees and the retention of uncertain contingent liabilities related to the divested business, any of which could result in a material adverse affect to our financial condition, results of operations or cash flows. In addition, we have acquired goodwill and intangible assets in business combinations, including the acquisitions of EyeWonder and chors in 2010. A substantial portion of this goodwill remains on our balance sheet. We follow the provisions of ASC 805, *Business Combinations* (ASC 805) and ASC 350, *Goodwill and Other Intangible Assets* (ASC 350). We also follow the provisions of ASC 360, *Accounting for the Impairment or Disposal of Long-lived Assets* (ASC 360). In accordance with these standards, goodwill is not amortized. Under ASC 350, goodwill is subject to impairment testing annually or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. As of June 30, 2012, we had \$79.9 million in goodwill which will be subject to potential future impairments which could have a material adverse effect on our financial condition and results of operations. Our intangible assets are carried at cost and are subject to amortization. In accordance with ASC 360, our intangible assets are subject to impairment testing whenever changes in circumstances indicate that the carrying value may not be fully recoverable. Divestitures of previously acquired businesses, such as the divestiture of the EyeWonder and chors rich media advertising services, may result in significant asset impairment charges, including those related to goodwill and other intangible assets, which could have a material adverse effect on our financial condition and results of operations. Future impairment may result from, among other things, deterioration in the performance of the acquired business or product line, adverse market conditions and changes in the competitive landscape, adverse changes in applicable laws or regulations, including changes that restrict the activities of the acquired business or product line, changes in accounting rules and regulations, and a variety of other circumstances. The amount of any impairment is recorded as a charge to the statement of operations. We may never realize the full value of our goodwill and intangible assets, and any determination requiring the write-off of a significant portion of these assets may have an adverse effect on our financial condition and results of operations. We cannot assure you that we will be successful in managing these or any other significant risks that we encounter in divesting a business or product line.

Failure to effectively expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our services.

Increasing our customer base and achieving broader market acceptance of our services will depend to a significant extent on our ability to expand our sales and marketing operations. Historically, we have concentrated our sales force at our headquarters in Tempe, Arizona. However, we are also building a field sales force to augment our sales efforts and to bring our sales personnel closer to our current and potential customers. Developing such a field sales force has been and will continue to be expensive and we have limited knowledge in developing and operating a widely dispersed sales force. As a result, we may not be successful in developing an effective sales force, which could cause our results of operations to suffer.

We believe that there is significant competition for both inside and direct sales personnel with the sales skills and technical knowledge that we require. Our ability to achieve significant growth in revenue in the future will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of inside and direct sales personnel. We have expanded our sales and marketing personnel from a total of 13 at December 31, 2004 to 168 at December 31, 2011. As of June 30, 2012, we had 176 sales and marketing personnel. New hires require significant training and, in most cases, take a significant period of time before they achieve full productivity. Our recent hires and planned hires may not become as productive as we would like, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business. Our business will be seriously harmed if these expansion efforts do not generate a corresponding significant increase in revenue.

If the accounting estimates we make, and the assumptions on which we rely, in preparing our financial statements prove inaccurate, our actual results may be adversely affected.

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments about, among other things, taxes, revenue recognition, share-based compensation costs, contingent obligations and doubtful accounts. These estimates and judgments affect the reported amounts of our assets, liabilities, revenue and expenses, the amounts of charges accrued by us, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances and at the time they are made. If our estimates or the assumptions underlying them are not correct, we may need to accrue additional charges or reduce the value of assets that could adversely affect our results of operations, investors may lose confidence in our ability to manage our business and our stock

price could decline.

Table of Contents

Risks Related to Ownership of Our Common Stock

Our limited operating history makes evaluating our business and future prospects difficult, and may increase the risk of your investment.

We were founded in 2001. A significant amount of our growth, in terms of employees, operations and revenue, has occurred. For example, our revenue has grown from \$5.0 million in 2003 to \$65.2 million in 2006 to \$171.3 million in 2011. As a consequence, we have a limited operating history which makes it difficult to evaluate our business and our future prospects. We have encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly changing industries, such as the risks described in this Quarterly Report on Form 10-Q. If we do not address these risks successfully, our business will be harmed.

The trading price of our common stock has been, and is likely to continue to be, volatile.

The trading prices of our common stock and the securities of technology companies generally have been highly volatile. Factors affecting the trading price of our common stock will include:

variations in our operating results;

announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;

commencement or resolution of, our involvement in and uncertainties arising from, litigation, particularly our current litigation with Akamai and MIT;

recruitment or departure of key personnel;

changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock;

developments or disputes concerning our intellectual property or other proprietary rights;

the gain or loss of significant customers;

market conditions in our industry, the industries of our customers and the economy as a whole; and

adoption or modification of regulations, policies, procedures or programs applicable to our business.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us.

If securities or industry analysts do not publish research or reports about our business or if they issue an adverse or misleading opinion or report, our stock, our stock price and trading volume could decline.

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse or misleading opinion regarding our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Insiders have substantial control over us and will be able to influence corporate matters.

As of June 30, 2012, our directors and executive officers and their affiliates beneficially owned, in the aggregate, approximately 42% of our outstanding common stock, including approximately 30% beneficially owned by investment entities affiliated with Goldman, Sachs & Co. These stockholders are able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit other stockholders' ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

Future equity issuances or a sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

Because we may need to raise additional capital in the future to continue to expand our business and our research and development activities, among other things, we may conduct additional equity offerings. If we or our stockholders sell substantial amounts of our common stock (including shares issued upon the exercise of options and warrants) in the public market, the market price of our common stock could fall. A decline in the market price of our common stock could make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Table of Contents

Management has broad discretion as to the use of the proceeds from our underwritten public offerings of our common stock, and we may not use the proceeds effectively.

Our management has broad discretion in the application of the net proceeds from the recently completed underwritten public offering of our common stock and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. Our failure to apply these funds effectively could have a material adverse effect on our business, delay the development of our product candidates and cause the price of our common stock to decline.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

Provisions of our amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. These provisions:

establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning a majority of our capital stock;

authorize the issuance of blank check preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;

limit who may call special meetings of stockholders;

prohibit stockholder action by written consent, thereby requiring stockholder actions to be taken at a meeting of the stockholders;

establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings;

provide for a board of directors with staggered terms; and

provide that the authorized number of directors may be changed only by a resolution of our board of directors.

In addition, Section 203 of the Delaware General Corporation Law, which imposes certain restrictions relating to transactions with major stockholders, may discourage, delay or prevent a third party from acquiring us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Public Offerings of Common Stock

On June 7, 2007, our registration statement on Form S-1 (No. 333-141516) was declared effective in connection with our initial public offering. The offering closed on June 13, 2007, and, as a result, we received net proceeds of approximately \$203.9 million after underwriters' discounts and commissions of approximately \$15.6 million and additional offering-related costs of approximately \$4.0 million.

In June 2007, we used \$23.8 million of the net proceeds to repay the outstanding balance of our credit facility with Silicon Valley Bank. For the year ended December 31, 2011, we made capital expenditures of \$30.4 million and expect aggregate capital expenditures of approximately 8% to 10% of total revenue in 2012. We may also use a portion of our net proceeds to fund acquisitions of complementary businesses, products or

Edgar Filing: ROYAL BANK OF SCOTLAND PLC - Form 424B5

technologies. In May 2011, we acquired AcceloWeb, for which we used \$4.7 million and could use an additional \$4.0 million if certain performance milestones are achieved. In May 2011, we also acquired Clickability, for which we used \$2.8 million. In July 2010, we acquired Delve, for which we used approximately \$2.6 million, net of cash acquired, and could use an additional \$1.2 million if certain financial targets are achieved. In April 2010, we acquired EyeWonder for which we used approximately \$62.0 million, net of cash acquired and, in January 2010, we acquired Chors for which we used approximately \$2.0 million, net of cash acquired at the closing, and used an additional \$0.3 million in 2011 for the achievement of specific financial targets during 2010. During 2012, pending the uses described above, we intend to invest the net proceeds in a variety of short-term, interest-bearing, investment grade securities. Depending upon the final outcome of pending litigation, a portion of the net proceeds may be used to satisfy a final damages judgment, if any.

Table of Contents**Issuer Purchases of Equity Securities**

The following is a summary of our repurchases of our common stock during the three month period ended June 30, 2012:

Period	Total Number of Shares Purchased	Average Price Paid per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(2)
April 1, April 30, 2012		\$		\$
May 1, May 31, 2012	2,523,740	\$ 2.65	2,523,740	\$ 8,359,155
June 1, June 30, 2012	2,094,334	\$ 2.61	2,094,334	\$ 2,929,116
Total	4,618,074	\$ 2.63	4,618,074	

(1) Includes commissions, markups and expenses.

(2) We announced a repurchase plan that authorized us to use up to \$15 million to repurchase shares of our common stock, exclusive of any commissions, markups or expenses, on May 3, 2012, under which we may purchase shares of our common stock through December 15, 2012. Any repurchased shares were cancelled and returned to authorized but unissued status.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

Not applicable

Table of Contents**ITEM 6. EXHIBITS**

Exhibit Number	Exhibit Description	Incorporated by Reference				Provided Herewith
		Form	File No.	Exhibit	Filing Date	
3.02	Amended and Restated Certificate of Incorporation of Limelight Networks, Inc., as currently in effect	8-K	001-33508	3.1	6/14/11	
3.04	Amended and Restated Bylaws of Limelight Networks, Inc.	S-1	333-141516	3.4	3/22/07	
31.01	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a).					X
31.02	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a).					X
32.01	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).*					X
32.02	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).*					X
101.INS	XBRL INSTANCE Document **					X
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT **					X
101.CAL	XBRL TAXONOMY CALCULATION LINKBASE DOCUMENT **					X
101.LAB	XBRL TAXONOMY LABEL LINKBASE DOCUMENT **					X
101.PRE	XBRL TAXONOMY PRESENTATION LINKBASE DOCUMENT **					X

* This certification is not deemed filed for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Limelight Networks, Inc. specifically incorporates it by reference.

** In accordance with Rule 406T of Regulation S-T, XBRL (Extensible Business Reporting Language) information deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Table of Contents

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.

LIMELIGHT NETWORKS, INC.

Date: August 7, 2012

By: /s/ Douglas S. Lindroth
Douglas S. Lindroth
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

Table of Contents**EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Incorporated by Reference				Provided Herewith
		Form	File No.	Exhibit	Filing Date	
3.02	Amended and Restated Certificate of Incorporation of Limelight Networks, Inc., as currently in effect	8-K	001-33508	3.1	6/14/11	
3.04	Amended and Restated Bylaws of Limelight Networks, Inc.	S-1	333-141516	3.4	3/22/07	
31.01	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a).					X
31.02	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a).					X
32.01	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).*					X
32.02	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).*					X
101.INS	XBRL INSTANCE Document **					X
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT **					X
101.CAL	XBRL TAXONOMY CALCULATION LINKBASE DOCUMENT **					X
101.LAB	XBRL TAXONOMY LABEL LINKBASE DOCUMENT **					X
101.PRE	XBRL TAXONOMY PRESENTATION LINKBASE DOCUMENT **					X

* This certification is not deemed filed for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Limelight Networks, Inc. specifically incorporates it by reference.

** In accordance with Rule 406T of Regulation S-T, XBRL (Extensible Business Reporting Language) information deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.