

# CARBONITE INC

## FORM 10-Q (Quarterly Report)

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

**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2016

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-35264

**CARBONITE, INC.**  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation)

33-1111329  
(I.R.S. Employer  
Identification No.)

Two Avenue de Lafayette, Boston, Massachusetts 02111  
(Address of principal executive offices, including ZIP code)

(617) 587-1100  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of October 31, 2016, there were 27,258,514 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**Carbonite, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
(in thousands, except share data)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 49,107	\$ 63,936
Marketable securities	—	1,000
Trade accounts receivable, less allowances for doubtful accounts of \$874 and \$139	17,007	3,736
Prepaid expenses and other current assets	6,946	3,188
Restricted cash	135	135
Total current assets	73,195	71,995
Property and equipment, net	22,591	22,083
Other assets	107	167
Acquired intangible assets, net	15,087	8,640
Goodwill	24,455	23,105
Total assets	\$ 135,435	\$ 125,990
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,866	\$ 8,384
Accrued expenses	18,096	11,559
Current portion of deferred revenue	86,860	80,269
Total current liabilities	107,822	100,212
Deferred revenue, net of current portion	20,585	18,434
Other long-term liabilities	5,594	6,271
Total liabilities	134,001	124,917
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 6,000,000 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 45,000,000 shares authorized at September 30, 2016 and December 31, 2015; 28,336,650 shares issued and 27,197,347 shares outstanding at September 30, 2016; 27,756,799 shares issued and 27,216,779 shares outstanding at December 31, 2015	283	278
Additional paid-in capital	174,085	165,391
Treasury stock, at cost (1,139,303 and 540,020 shares as of September 30, 2016 and December 31, 2015, respectively)	(10,446)	(5,693)
Accumulated other comprehensive income	1,883	2,040
Accumulated deficit	(164,371)	(160,943)
Total stockholders' equity	1,434	1,073
Total liabilities and stockholders' equity	\$ 135,435	\$ 125,990

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

**Carbonite, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands, except share and per share amounts)			
Revenue	\$ 51,948	\$ 34,553	\$ 153,498	\$ 101,551
Cost of revenue	15,459	9,774	46,078	29,588
Gross profit	36,489	24,779	107,420	71,963
Operating expenses:				
Research and development	8,156	7,123	25,272	21,500
General and administrative	9,059	10,273	30,868	25,473
Sales and marketing	18,864	12,860	53,069	40,811
Restructuring charges	29	224	834	349
Total operating expenses	36,108	30,480	110,043	88,133
Income (loss) from operations	381	(5,701)	(2,623)	(16,170)
Interest and other income (expense), net	155	139	8	165
Income (loss) before income taxes	536	(5,562)	(2,615)	(16,005)
Provision for income taxes	429	404	814	1,011
Net income (loss)	\$ 107	\$ (5,966)	\$ (3,429)	\$ (17,016)
Net income (loss) per common share:				
Basic	\$ 0.00	\$ (0.22)	\$ (0.13)	\$ (0.63)
Diluted	\$ 0.00	\$ (0.22)	\$ (0.13)	\$ (0.63)
Weighted-average number of common share outstanding:				
Basic	26,973,507	27,173,360	26,976,432	27,212,038
Diluted	27,532,509	27,173,360	26,976,432	27,212,038

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

**Carbonite, Inc.**  
**Condensed Consolidated Statements of Comprehensive Loss**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Net income (loss)	\$ 107	\$ (5,966)	\$ (3,429)	\$ (17,016)
Other comprehensive (loss) income:				
Net unrealized (loss) gain on marketable securities	—	(1)	—	8
Foreign currency translation adjustments	(275)	(143)	(157)	768
Total other comprehensive (loss) income	(275)	(144)	(157)	776
Total comprehensive loss	\$ (168)	\$ (6,110)	\$ (3,586)	\$ (16,240)

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

**Carbonite, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
(in thousands)		
<b>Operating activities</b>		
Net loss	\$ (3,429)	\$ (17,016)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	12,227	10,296
Loss (gain) on disposal of equipment	518	(25)
Accretion of discount on marketable securities	—	(9)
Stock-based compensation expense	6,628	7,418
Other non-cash items, net	168	(80)
Changes in assets and liabilities:		
Accounts receivable	(13,243)	(1,181)
Prepaid expenses and other current assets	(1,822)	1,063
Other assets	69	539
Accounts payable	(5,187)	1,312
Accrued expenses	6,327	1,398
Other long-term liabilities	(734)	(368)
Deferred revenue	1,842	5,193
Net cash provided by operating activities	<u>3,364</u>	<u>8,540</u>
<b>Investing activities</b>		
Purchases of property and equipment	(3,715)	(8,273)
Proceeds from sale of property and equipment	4	113
Proceeds from maturities of marketable securities and derivatives	1,198	17,524
Purchases of marketable securities and derivative settlements	(1,476)	(750)
Decrease in restricted cash	—	693
Payment for acquisition, net of cash acquired	(11,625)	(992)
Net cash (used in) provided by investing activities	<u>(15,614)</u>	<u>8,315</u>
<b>Financing activities</b>		
Proceeds from exercise of stock options	2,020	1,853
Repurchase of common stock	(4,753)	(3,023)
Net cash used in financing activities	<u>(2,733)</u>	<u>(1,170)</u>
Effect of currency exchange rate changes on cash	154	(146)
Net (decrease) increase in cash and cash equivalents	(14,829)	15,539
Cash and cash equivalents, beginning of period	63,936	46,084
Cash and cash equivalents, end of period	<u>\$ 49,107</u>	<u>\$ 61,623</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for income taxes	\$ 703	\$ 1,363
<b>Supplemental disclosure of non-cash investing activities:</b>		
Capitalization of stock-based compensation	\$ 48	\$ —
Acquisition of property and equipment included in accounts payable and accrued expenses	\$ (337)	\$ (1,366)

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

**Carbonite, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. Nature of Business**

Carbonite, Inc. ("we" or the "Company") was incorporated in the State of Delaware on February 10, 2005 and is a provider of cloud backup and restore solutions. The Company's solutions provide powerful features packaged in a cost-effective, simple and secure manner and are designed to address the specific needs of small and medium-sized businesses ("SMBs") and individuals.

**2. Summary of Significant Accounting Policies**

**Principles of Consolidation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions between the Company and its subsidiaries have been eliminated in consolidation.

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"), the instructions to Form 10-Q, and the provisions of Regulation S-X pertaining to interim financial statements. Accordingly, certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the SEC on March 8, 2016.

In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position for the periods presented. The results for the periods presented are not necessarily indicative of future results.

During 2016, the Company recorded an adjustment for payments owed to foreign tax authorities inclusive of any interest and penalties that were not accrued for in prior fiscal years. This adjustment was recorded as an increase to accrued liabilities for approximately \$1.2 million with a corresponding expense recorded in general and administrative expenses in the condensed consolidated statements of operations. Of this \$1.2 million adjustment, approximately \$0.2 million, \$0.2 million, \$0.2 million and \$0.6 million related to the years ended December 31, 2015, 2014, 2013 and prior, respectively. The Company concluded the effect of these adjustments were not material to its consolidated financial statements for the current period, the forecasted fiscal year, or any of the prior periods and, as such, these consolidated financial statements are not materially misstated.

**Reclassifications**

The Company has reclassified certain amounts in its condensed consolidated statements of cash flows as of September 30, 2015 to conform to the condensed consolidated statements of cash flows presentation as of September 30, 2016. The reclassification relates to the merger of the provision for (reduction of) reserves on accounts receivable caption into the change in accounts receivable caption.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if past experience or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made.

## Translation of Foreign Currencies

The functional currency of the Company's foreign subsidiaries is generally the local currency in which they operate. The Company translates foreign subsidiaries' assets and liabilities at the exchange rates in effect at period-end and revenues and expenses at the average exchange rates in effect during the period. Gains and losses from foreign currency translation are recorded as a component of other comprehensive loss.

Foreign currency transaction gains and losses are included in interest and other income (expense), net in the consolidated statements of operations, net of losses and gains from any related derivative financial instruments.

## Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk primarily consist of cash and cash equivalents, marketable securities, derivatives, and accounts receivable. The Company maintains its cash and cash equivalents, marketable securities, and derivatives with high-quality financial institutions and, consequently, the Company believes that such funds are subject to minimal credit risk. Cash equivalents and marketable securities consist of investment grade debt securities or money market funds investing in such securities.

The Company regularly reviews its accounts receivable related to customers billed on traditional credit terms and provides an allowance for expected credit losses. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company's accounts receivable. At September 30, 2016, one customer represented 10% or more of the Company's accounts receivable balance, and at December 31, 2015, no customer represented 10% or more of the Company's accounts receivable balance. At September 30, 2016 and December 31, 2015, no customer represented 10% or more of the Company's revenue for the periods presented.

## Revenue Recognition

The Company derives revenue from Software-as-a-Service ("SaaS") arrangements and multiple element arrangements. Generally, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the fee is fixed or determinable and (iv) collectability is probable. Our revenue recognition policies for these revenue streams are discussed below.

The Company derives the majority of its revenue from cloud backup and restore solutions subscription services. These services are standalone independent service solutions, which are generally contracted for a one - to three -year term. Subscription arrangements include access to use the Company's services via the internet. The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 605-10, *Overall Revenue Recognition*. Subscription revenue is recognized ratably on a daily basis upon activation of service over the subscription period, when persuasive evidence of an arrangement with a customer exists, the subscription period has been activated, the price is fixed or determinable, and collection is reasonably assured. Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue in the accompanying condensed consolidated balance sheets.

For multiple element arrangements, including those containing a subscription arrangement, the Company follows the multiple element guidance in accordance with ASC 605-25, *Revenue Recognition - Multiple-Element Arrangements*. The Company allocates revenue to each element based on the relative selling price method to the overall arrangement consideration. The selling price for a deliverable is based on vendor-specific objective evidence ("VSOE"), if available, Third Party Evidence ("TPE"), if VSOE is not available, or Best Estimate of Selling Price ("BESP"), if neither VSOE nor TPE are available. Typically, the Company uses BESP for these arrangements.

For its software arrangements, which often contain multiple revenue elements, such as software licenses, hardware, professional services and post-contract customer support ("PCS"), the Company recognizes and defers revenue using the residual method in accordance with ASC 985-605, *Software*. Revenue is allocated to each element, excluding the software license, based on VSOE. VSOE is limited to the price charged when the element is sold separately or, for an element not yet being sold separately, the price established by management having the relevant authority. The Company does not have VSOE for its software licenses since they are seldom sold separately. Accordingly, revenue is allocated to the software license using the residual value method. Under the residual value method, revenue equal to VSOE of each undelivered element is initially deferred and any remaining arrangement fee is then allocated to the software license.

Hardware revenues are generally recognized upon delivery or upon installation, if required. Professional services are generally provided on a time and materials basis and revenue from professional services, including installation services, is recognized as services are performed, or upon installation if required.

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The Company excludes any taxes assessed by a governmental authority that are directly imposed on a revenue-producing transaction (i.e., sales, use and value added) from its revenue and costs. Reimbursement received for shipping costs is recorded as revenue.

Deferred product costs represent deferred cost of revenue for product shipments to customers prior to satisfaction of the Company's revenue recognition criteria. Such costs are classified as prepaid expense and other current assets if the related deferred revenue is initially classified as current. Deferred product costs are recorded in other assets if the related deferred revenue is initially classified as long-term, and remain a component of noncurrent assets until such costs are recognized in the consolidated statement of operations. In certain cases these costs are recognized ratably over the customer contract term.

### **Cash Equivalents and Marketable Securities**

The Company considers all highly liquid investments purchased with an original purchase maturity of 90 days or less to be the equivalent of cash for the purpose of balance sheet and statement of cash flows presentation.

Marketable securities consist of time deposits and U.S. treasury securities with initial maturities of more than 90 days. Short-term investments in marketable securities are classified as available-for-sale and are recorded at fair value with unrealized gains and losses (excluding other-than-temporary impairments) reported as a separate component of accumulated other comprehensive loss. Realized gains and losses and declines in value judged to be other-than-temporary are included in income based on the specific identification method. Fair value is determined based on quoted market prices. At September 30, 2016, the Company did not have any marketable securities. At December 31, 2015, the Company's marketable securities had remaining maturities within one year and had a total cost basis of \$1.0 million.

The Company reviews its investments for other-than-temporary impairment whenever evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time.

### **Business Combinations**

In accordance with ASC 805, *Business Combinations* ("ASC 805"), the Company recognizes tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. Determining these fair values requires management to make significant estimates and assumptions, especially with respect to intangible assets.

The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management, which reflect management's best estimates of inputs and assumptions that a market participant would use. The Company's identifiable intangible assets consist of developed technology, customer relationships, tradenames, and non-compete agreements. Developed technology consists of products that have reached technological feasibility, and tradenames represent both acquired company and product names. Customer relationships represent the underlying relationships and agreements with customers of the acquired company's installed base. Non-compete agreements represent the protection against the loss of business and resultant cash flows from direct competition.

### **Goodwill and Acquired Intangible Assets**

The Company records goodwill when consideration paid in a business acquisition exceeds the value of the net assets acquired. The Company's estimates of fair value are based upon assumptions believed to be reasonable at that time but that are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events or circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results.

Goodwill is not amortized, but rather is tested for impairment annually or more frequently at the reporting unit level if facts and circumstances warrant a review. The Company has determined that there is a single reporting unit for the purpose of conducting this goodwill impairment assessment. For purposes of assessing potential impairment, the Company estimates the fair value of the reporting unit (based on the Company's market capitalization) and compares this amount to the carrying value of the reporting unit (as reflected by the Company's total stockholders' equity). If the Company determines that the carrying value of the reporting unit exceeds its fair value, an impairment charge would be required. The Company's annual goodwill impairment test is at November 30th of each year.

Intangible assets acquired in a business combination are recorded at their estimated fair values at the date of acquisition. The Company amortizes acquired intangible assets over their estimated useful lives based on the pattern of consumption of the economic benefits or, if that pattern cannot be readily determined, on a straight-line basis. The Company reviews its intangible

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assets with definite lives for impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable.

### **Internal-use Software and Website Development**

The Company accounts for its software and website development costs in accordance with the guidance in ASC 350-40, *Internal Use Software* and ASC 350-50, *Website Development Costs*. The costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs are capitalized until the application is substantially complete and ready for its intended use, at which point such costs are amortized over the estimated useful life of the software. At September 30, 2016 and December 31, 2015, approximately \$2.4 million and \$1.8 million of costs associated with internal-use software and website development costs were capitalized on the Company's condensed consolidated balance sheets, respectively. For the three month periods ended September 30, 2016 and 2015, the Company recorded \$0.1 million and \$0.1 million of amortization expense related to capitalized internal-use software and website development costs, respectively. For the nine month periods ended September 30, 2016 and 2015, the Company recorded \$0.4 million and \$0.2 million of amortization expense related to capitalized internal-use software and website development costs, respectively.

### **Accounts Receivable**

Accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts reflects the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company specifically analyzes historical bad debts, the aging of the accounts receivable, creditworthiness, and current economic trends, to evaluate the allowance for doubtful accounts. Past due balances are reviewed individually for collectability. Account balances are charged against the allowance for doubtful accounts after all means of collection have been exhausted, and the potential for recovery is considered remote. The allowance for doubtful accounts is recorded as a reduction in accounts receivable. The Company also maintains an allowance for sales returns and credits to customers for which the Company has the ability to estimate based upon historical experience. The allowance for sales returns and credits is recorded as a reduction in revenue.

### **Income Taxes**

The Company provides for income taxes under the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to reflect the uncertainty associated with their ultimate realization.

The Company accounts for uncertain tax positions by prescribing a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

### **Segment Information**

Operating segments are defined as components of an enterprise engaging in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment. The Company does not disclose geographic information for revenue and long-lived assets, excluding deferred tax assets, goodwill and intangible assets. Revenue and long-lived assets, excluding deferred tax assets, goodwill and intangible assets, located outside the United States do not exceed 10% of total revenue and total assets.

### **Accounting for Stock-Based Compensation**

The Company recognizes stock-based compensation as an expense in the financial statements using the estimated grant-date fair value over the individual award's requisite service period, which equals the vesting periods in all cases but for certain market-based awards. The Company uses the straight-line amortization method for recognizing stock-based compensation expense. The Company estimates the fair value of stock options on the date of grant using the Black-Scholes option-pricing model and the fair value of stock options with market-based vesting conditions on the date of grant using a lattice model with a Monte Carlo simulation. These models require the use of highly subjective estimates and assumptions, including expected stock price volatility, expected term of an award, risk-free interest rate, and expected dividend yield. The grant date fair value of restricted stock units granted is based on the fair value of the underlying common stock on the date of grant.

## Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-9, *Revenue from Contracts with Customers* (“ASU 2014-9”), updated guidance and disclosure requirements for recognizing revenue. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The revenue standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued an amendment to the standard, ASU 2016-8, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued an additional amendment to the standard, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* (“ASU 2016-10”), which clarifies the guidance on identifying performance obligations and the implementation guidance on licensing. The collective guidance will be effective for the Company on January 1, 2018, with early adoption permitted, but not earlier than January 1, 2017. The guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial adoption. The Company is currently assessing the potential impact of the adoption of these standards on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements — Going Concern: Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”). The standard requires that the Company evaluates, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about its ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter, and early adoption is permitted. While the adoption of this standard may result in additional disclosures, the Company does not expect that it will have a material impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software: Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement* (“ASU 2015-05”). The standard clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software under ASC 350-40. ASU 2015-05 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, and early adoption is permitted. The Company adopted ASU 2015-05 as of January 1, 2016. The adoption of ASU 2015-05 did not have a material impact on our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASU 2016-02”). ASU 2016-02 requires lessees to recognize the assets and liabilities on their balance sheet for the rights and obligations created by most leases and continue to recognize expenses on their income statements over the lease term. It will also require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. The guidance is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the effect of the standard on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). The amendments in this ASU involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with earlier adoption permitted for all entities. The Company is currently evaluating the effect of the standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). The amendments in this ASU clarify and provide specific guidance on eight cash flow classification issues that are not currently addressed by current GAAP and thereby reduce the current diversity in practice. ASU 2016-15 is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2017, with early application permitted. The Company does not expect any material impact from adoption of this guidance on the Company’s consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* (“ASU 2016-16”). The purpose of ASU 2016-16 is to simplify the income tax accounting of an intra-entity transfer of an asset other than inventory and to record its effect when the transfer occurs. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods and early adoption is permitted. The Company is currently evaluating the effect of the standard on its consolidated financial statements.

### 3. Net Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by dividing net income (loss) by the sum of the weighted average number of common shares and potentially dilutive securities outstanding during the period using the treasury stock method. For the periods in which the Company incurred a net loss, the effect of the Company's outstanding common stock equivalents were not included in the calculation of diluted loss per share as they were anti-dilutive. Accordingly, basis and diluted net loss per share for those periods were identical.

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(in thousands, except per share amounts)				
Numerator:				
Net income (loss)	\$ 107	\$ (5,966)	\$ (3,429)	\$ (17,016)
Denominator:				
Weighted average common shares outstanding, basic	26,974	27,173	26,976	27,212
Effect of potential dilutive common shares	559	—	—	—
Weighted average shares outstanding, diluted	27,533	27,173	26,976	27,212
Basic net income (loss) per share	\$ 0.00	\$ (0.22)	\$ (0.13)	\$ (0.63)
Diluted net income (loss) per share	\$ 0.00	\$ (0.22)	\$ (0.13)	\$ (0.63)

The following options to purchase common shares and restricted stock units have been excluded from the computation of diluted net income (loss) per share because they had an anti-dilutive impact (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Options to purchase common shares	702	3,367	1,753	3,367
Restricted stock units	900	1,400	1,957	1,400
Total	1,602	4,767	3,710	4,767

### 4. Fair Value of Financial Instruments

#### *Derivative Instruments*

##### *Non-designated Foreign Currency Contracts*

The Company uses foreign currency forward contracts as part of our strategy to manage exposure related to Euro denominated intercompany monetary assets and liabilities. The Company has not designated these forward contracts as hedging instruments pursuant to ASC 815, *Derivatives and Hedging*. Accordingly, the Company recorded the fair value of these contracts at the end of each reporting period in the condensed consolidated balance sheets, with changes in the fair value recorded in earnings as interest and other income (expense), net in the consolidated statement of operations. Cash flows from the settlement of these non-designated foreign currency contracts are reported in cash flows from investing activities. These currency forward contracts are entered into for periods consistent with currency transaction exposures, generally less than one year. At September 30, 2016 and December 31, 2015, the Company had outstanding contracts with a total notional value of \$42.1 million and \$36.7 million, respectively.

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The following table provides a quantitative summary of the fair value of derivative instruments not designated as hedging instruments as of September 30, 2016 and December 31, 2015 (in thousands):

Description	Balance Sheet Classification	Fair Value	
		September 30, 2016	December 31, 2015
<b>Derivative Liabilities:</b>			
<u>Non-Designated Hedging Instruments</u>			
Foreign currency contracts	Accrued expenses	\$ 217	\$ 400
Total Derivative Liabilities		\$ 217	\$ 400

The following table summarizes the (losses) gains related to derivative instruments not designated as hedging instruments for the three and nine months ended September 30, 2016 and 2015 (in thousands):

Location in Statement of Operations	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Foreign currency contracts	\$ (380)	\$ (71)	\$ (1,095)	\$ 2,331

### Other Fair Value Measurements

The Company applies the guidance in ASC 820, *Fair Value Measurements and Disclosures*, (“ASC 820”), which provides that fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Other inputs that are observable directly or indirectly, such as quoted prices for similar assets and liabilities or market corroborated inputs.

*Level 3:* Unobservable inputs are used when little or no market data is available, which requires the Company to develop its own assumptions about how market participants would value the assets or liabilities. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The Company’s assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy are summarized as follows (in thousands):

	September 30, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Cash equivalents—money market funds	\$ 20,718	\$ —	\$ —	\$ 20,718	\$ 19,703	\$ —	\$ —	\$ 19,703
Marketable securities—U.S. treasury securities and time deposits	—	—	—	—	—	1,000	—	1,000
Total	\$ 20,718	\$ —	\$ —	\$ 20,718	\$ 19,703	\$ 1,000	\$ —	\$ 20,703
<b>Liabilities:</b>								
Foreign currency exchange contracts	—	217	—	217	—	400	—	400
Total	\$ —	\$ 217	\$ —	\$ 217	\$ —	\$ 400	\$ —	\$ 400

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The Company's investments in money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. Our marketable securities and foreign currency exchange contracts are classified as Level 2 within the fair value hierarchy as they are valued using professional pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets.

### 5. Acquisitions

#### 2016 Acquisition

On January 13, 2016, the Company completed the acquisition of the North American cloud-based business continuity and disaster recovery assets of EVault, Inc. ("EVault"). The Company completed the acquisition of the assets used in the European Union operations of EVault on March 31, 2016. The acquisition of EVault has been accounted for as a business combination and, in accordance with ASC 805, the Company has recorded the assets acquired and liabilities assumed at their respective fair values as of the acquisition dates. During the second quarter of 2016, the Company recorded a measurement period adjustment in our condensed consolidated balance sheet. The measurement period adjustment was recorded as a \$1.0 million increase to goodwill, with an offsetting increase to accrued liabilities of \$0.4 million and a decrease to the fair value of the Transaction Services Agreement ("TSA") credit of \$0.6 million. The following table summarizes the preliminary purchase price allocation, including the measurement period adjustments recorded in the second quarter of 2016 (in thousands):

Fair value of consideration transferred:		
Cash	\$	14,000
Fair value of prepaid transactional services		(2,375)
Fair value of total acquisition consideration	\$	<u>11,625</u>
Fair value of assets acquired and liabilities assumed:		
Prepaid expenses	\$	1,330
Property and equipment		6,776
Intangible assets		9,150
Other long-term assets		564
Goodwill		989
Total assets acquired		18,809
Deferred revenue		(6,830)
Accrued liabilities		(354)
Net assets acquired	\$	<u>11,625</u>

In connection with the acquisition of EVault, the Company negotiated a TSA that provides a credit to be used against future services provided under the terms of the agreement. The Company estimated the fair value of the TSA credit to be \$2.4 million based on expected usage and accounted for it as a reduction in consideration transferred in the preliminary purchase price allocation. The TSA credit was recorded in prepaid expenses and other current assets on the consolidated balance sheet as of the acquisition date. For the nine month period ended September 30, 2016, the Company recognized \$2.4 million in expense, which was recorded as a reduction in the TSA credit. As of September 30, 2016, there was no remaining balance of the TSA credit on the consolidated balance sheet.

In the three months ended September 30, 2016, the Company recorded an immaterial amount of acquisition-related expenses. In the three months ended September 30, 2015, acquisition-related expenses were \$0.4 million. In the nine months ended September 30, 2016 and 2015, acquisition-related expenses were \$3.9 million and \$1.1 million respectively. Acquisition-related expenses have been included primarily in general and administrative expenses in the condensed consolidated statements of operations. The operating results of EVault, which are included in the condensed consolidated statements of operations beginning on their respective acquisition dates, are comprised of \$16.0 million and \$47.0 million of revenue for the three and nine months ended September 30, 2016, respectively. The Company has determined that disclosing the amount of EVault related expenses included in the condensed consolidated statements of operations is impracticable, as certain operations of EVault were integrated into the operations of the Company.

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The significant intangible assets identified in the preliminary purchase price allocation discussed above include developed technology, trade names and customer relationships, which are amortized over their respective useful lives on a straight line basis. The preliminary allocations of the purchase price are subject to revisions as additional information is obtained about the facts and circumstances that existed at the time of acquisition. Developed technology consists of products that have reached technological feasibility and trade names represent acquired company and product names. To value the developed technology asset, the Company utilized the income approach, specifically a discounted cash-flow method known as the multi-period excess earnings method. The trade name intangible was valued using a relief from royalty method, which considers both the market approach and the income approach. Customer relationships represent the underlying relationships with certain customers to provide ongoing services for products sold. The Company utilized the replacement cost/lost profits methodology to derive the fair value of the customer relationships.

The following table presents the estimated fair values and useful lives of the identifiable intangible assets acquired and risk-adjusted discount rates used in the valuation:

	Amount	Weighted Average Useful Life	Risk-Adjusted Discount Rates used in Valuation
	(in thousands)	(in years)	
Developed technology	\$ 5,650	4	15%
Customer relationships	2,500	6	14%
Trade names	1,000	7	14%
Total identifiable intangible assets	<u>\$ 9,150</u>		

### ***Pro Forma Financial Information***

The following unaudited pro forma information presents the condensed combined results of operations of the Company and EVault for the three and nine months ended September 30, 2015 as if the acquisition of EVault had been completed on January 1, 2015. These pro forma condensed consolidated financial results have been prepared for comparative purposes only and include certain adjustments that reflect pro forma results of operations, such as increased amortization for the fair value of acquired intangible assets, fair value adjustments (step-downs) for property, plant and equipment and deferred revenue, reversal of revenues and costs directly attributable to assets and products not acquired, and adjustments relating to the tax effect of combining the Company and EVault businesses.

The unaudited pro forma results do not reflect any operating efficiencies or potential cost savings which may result from the consolidation of the operations of the Company and EVault. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of the results of operations that actually would have been achieved had the acquisition occurred as of January 1, 2015, nor are they intended to represent or be indicative of future results of operations (in thousands):

	Three Months Ended September 30,	Nine Months Ended September 30,
	2015	2015
Revenue	\$ 54,825	\$ 164,974
Net loss	\$ (17,415)	\$ (59,147)
Basic and diluted net loss per share	\$ (0.64)	\$ (2.17)
Weighted-average number of common shares used in computing basic and diluted net loss per share	27,173,360	27,212,038

### 2015 Acquisition

On August 11, 2015, the Company acquired certain assets of Rebit, Inc. ("Rebit") for total consideration of approximately \$1.3 million, which included an initial cash payment of \$1.0 million and an estimated fair value of \$0.3 million for additional consideration which was paid one year from the date of acquisition. The Company employs six of Rebit's former employees at its current location in Longmont, Colorado.

The results of operations for the acquisition have been included in the Company's operations since the date of acquisition and were not material for the periods presented.

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The acquisition of Rebit has been accounted for as a business combination and, in accordance with ASC 805, the Company has recorded the assets acquired and liabilities assumed at their respective fair values as of the acquisition date. As a result of the acquisition of Rebit, the Company recorded goodwill in the amount of \$0.6 million and identifiable intangible assets of \$0.7 million. As of the acquisition date, developed technology and customer relationships had weighted-average useful lives of 6.0 years and 4.0 years, respectively. These identifiable intangible assets are amortized over their estimated useful lives based on the pattern of consumption of the economic benefits or, if that pattern cannot be readily determined, on a straight-line basis.

### 6. Goodwill and Acquired Intangible Assets

As of September 30, 2016 and December 31, 2015, the carrying amount of goodwill was \$24.5 million and \$23.1 million, respectively. The following is a rollforward of our goodwill balance (in thousands):

	<b>Goodwill</b>
Balance as of December 31, 2015	\$ 23,105
Goodwill acquired	989
Effect of foreign exchange rates	361
Balance as of September 30, 2016	\$ 24,455

Purchased intangible assets consist of the following (in thousands):

	Weighted-Average Estimated Useful Life (in years)	September 30, 2016			December 31, 2015		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Developed technology	5.4	\$ 14,005	\$ 4,493	\$ 9,512	\$ 8,167	\$ 2,463	\$ 5,704
Customer relationships	6.5	6,197	1,963	4,234	3,627	1,216	2,411
Trade names	7.0	1,743	402	1,341	726	213	513
Non-compete agreements	3.8	380	380	—	380	368	12
		\$ 22,325	\$ 7,238	\$ 15,087	\$ 12,900	\$ 4,260	\$ 8,640

The Company recorded amortization expense of \$1.0 million and \$0.5 million for the three month periods ended September 30, 2016 and 2015, respectively, and \$2.9 million and \$1.5 million for the nine month periods ended September 30, 2016 and 2015, respectively. Amortization relating to developed technology is recorded within cost of revenue, amortization of customer relationships is recorded within sales and marketing expenses, and amortization of trade names and non-compete agreements is recorded within general and administrative expenses.

Future estimated amortization expense of acquired intangibles as of September 30, 2016 is as follows (in thousands):

Remainder of 2016	\$ 946
2017	3,713
2018	3,661
2019	3,603
2020	2,008
Thereafter	1,156
	\$ 15,087

## 7. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2016	December 31, 2015
Accrued marketing	\$ 1,890	\$ 1,727
Accrued compensation	7,714	3,130
Accrued cost of goods sold	571	—
Accrued tax liabilities	2,208	435
Accrued consulting and professional fees	1,627	3,263
Accrued facilities	989	819
Derivative liability	217	400
Accrued other expenses	2,880	1,785
Total accrued expenses	<u>\$ 18,096</u>	<u>\$ 11,559</u>

## 8. Stockholders' Equity

### *Share Repurchase Program*

On May 11, 2015, the Company's Board of Directors authorized a \$20.0 million share repurchase program, effective from May 15, 2015 through May 15, 2018. Share repurchases are made from time-to-time in the open market, in privately negotiated transactions or otherwise, in accordance with applicable securities laws and regulations. The timing and amount of any share repurchases are determined by the Company's management based on an evaluation of market conditions, the trading price of the stock, and other factors.

For the three months ended September 30, 2016, the Company did not repurchase any shares of its common stock under the repurchase program. For the nine months ended September 30, 2016, the Company repurchased 574,118 shares of its common stock at an average price of \$7.81 per share for a total cost of approximately \$4.5 million. For the nine months ended September 30, 2015, the Company repurchased 274,700 shares of its common stock at an average price of \$10.88 per share for a total cost of approximately \$3.0 million. At September 30, 2016, approximately \$10.2 million remained available under the Company's share repurchase program.

### 9. Stock-based Awards

The Company's 2005 Stock Incentive Plan (the "2005 Plan") provided for granting of incentive stock options, non-qualified options, restricted stock, or other awards to the Company's employees, officers, directors, and outside consultants up to an aggregate of 3,601,551 shares of the Company's common stock. In conjunction with the effectiveness of the 2011 Equity Award Plan (the "2011 Plan"), the Company's Board of Directors voted that no further stock options or other equity-based awards would be granted under the 2005 Plan.

The 2011 Plan provides for the issuance of stock options, restricted stock, restricted stock units, and other stock-based awards to the employees, officers, directors, and consultants of the Company or its subsidiaries. In connection with the approval of the 2011 Plan, the Company reserved 1,662,000 shares of common stock for issuance thereunder. On January 1<sup>st</sup> of each year, beginning January 1, 2012, the number of shares reserved under the 2011 Plan increased or will increase by the lesser of 1,500,000 shares, 4.0% of the outstanding shares of common stock and common stock equivalents, or another amount determined by the Company's Board of Directors. As of September 30, 2016, 1,702,664 shares of common stock were available for future grant under the 2011 Plan.

Stock-based awards granted to employees generally vest over a three - or four -year period, and, in the case of stock options, expire ten years from the date of grant. Certain awards provide for accelerated vesting if there is a change of control, as defined in the 2005 Plan or 2011 Plan, as applicable. The Company has generally granted stock options at exercise prices not less than the fair market value of its common stock on the date of grant.

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**Stock Options**

The following summarizes stock option activity under stock incentive plans for the nine months ended September 30, 2016 :

	Number of Shares	Weighted- Average Exercise Price per Share	Weighted- Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands) (2)
Outstanding at December 31, 2015	2,975,673	\$ 11.06		\$ 724
Granted	1,500	8.95		
Exercised	(220,691)	9.14		
Forfeited	(1,253,042)	11.21		
Outstanding at September 30, 2016	1,503,440	\$ 11.21	6.98	\$ 6,241
Exercisable as of September 30, 2016	1,016,873	\$ 10.84	6.55	\$ 4,597
Vested and expected to vest as of September 30, 2016 (1)	1,411,783	\$ 11.15	6.90	\$ 5,939

(1) Represents the number of vested stock options as of September 30, 2016 , plus the number of unvested stock options expected to vest as of September 30, 2016 , based on the unvested stock options outstanding at September 30, 2016 , adjusted for estimated forfeitures.

(2) The aggregate intrinsic value is calculated as the positive difference, if any, between the exercise price of the underlying stock options and the fair market value of the Company's common stock on September 30, 2016 .

The Company generally estimates the fair value of stock options on the date of grant using the Black-Scholes option-pricing model. This model requires the use of highly subjective estimates and assumptions, including expected stock price volatility, expected term of an award, risk-free interest rate, and expected dividend yield.

The assumptions used to estimate the fair value of the stock options granted during the three and nine months ended September 30, 2016 and 2015 using the Black-Scholes option-pricing model were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted-average exercise price	\$ —	\$ 11.81	\$ 8.95	\$ 13.27
Weighted-average grant-date fair value	\$ —	\$ 5.69	\$ 4.03	\$ 6.50
<b><u>Black-Scholes Assumptions</u></b>				
Risk-free interest rate	—%	1.85%	1.93%	1.54% to 1.85%
Expected dividend yield	—%	—%	—%	—%
Expected volatility	—%	49%	44%	49% to 51%
Expected term (in years)	0	6.1	6.1	5.5 to 6.1

**Restricted Stock Units**

The Company recognizes non-cash compensation expense over the vesting term of restricted stock units. The fair value is measured based upon the number of units and the closing price of the Company's common stock underlying such units on the dates of grant. Upon vesting and settlement, each restricted stock unit entitles the holder to receive one share of common stock.

The following table summarizes restricted stock unit activity for the nine months ended September 30, 2016 :

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested restricted stock units as of December 31, 2015	1,001,364	\$ 13.19
Restricted stock units granted	878,763	9.08
Restricted stock units vested	(257,413)	13.12
Restricted stock units forfeited	(209,145)	10.94
Unvested restricted stock units as of September 30, 2016	1,413,569	\$ 10.98

## Restricted Stock Awards

The Company grants restricted stock awards to members of the Board of Directors annually. The fair value is measured based upon the number of units and the closing price of the Company's common stock underlying such units on the dates of grant. Awards to directors vest on the first anniversary of the date of grant.

The following table summarizes restricted stock award activity for the nine months ended September 30, 2016 :

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested restricted stock awards as of December 31, 2015	41,917	\$ 10.90
Restricted stock awards granted	108,497	9.46
Restricted stock awards vested (restriction lapsed)	(32,208)	10.93
Restricted stock awards forfeited	—	—
Unvested restricted stock awards as of September 30, 2016	118,206	\$ 9.57

## Equity Awards with Market-Based Vesting Conditions

On February 1, 2016, the Company granted select executive officers 325,000 restricted stock units with market-based vesting conditions. These restricted stock units contain both performance and service vesting conditions. These awards will meet the performance vesting condition if, within three years from the date of grant, the closing price per share of the Company's common stock is at least \$15.00 per share for 20 consecutive trading days. Upon achievement of the applicable performance vesting condition, the award will be subject to service vesting, with vesting to occur in four equal quarterly installments over the one-year period from the date of achieving the performance-based vesting conditions, subject to the recipient's continued service to the Company through the applicable vesting date.

The Company estimated the fair value and derived service period of the restricted stock units with market-based vesting conditions on the date of grant using a Monte-Carlo simulation. The model requires the use of subjective estimates and assumptions, including expected volatility, risk-free interest rate and dividend yield.

The grant-date stock price and assumptions used to estimate the derived service period and fair value of the equity awards with market-based vesting conditions were as follows:

	As of February 1,	
	2016	
Grant-date stock price	\$	8.95
<u>Assumptions</u>		
Risk-free interest rate		1.01%
Expected dividend yield		—%
Expected volatility		40%

In 2015, the Company granted 100,000 restricted stock units with market-based vesting conditions. Of the 100,000 restricted stock units granted, 50,000 shares accrue in four equal, 25% installments on each anniversary of the date of grant based on continued service through the applicable accrual date, provided that no vesting will occur unless the Company maintains a closing stock price of \$14.00 per share for 20 consecutive trading days. The remaining 50,000 shares accrue in four equal, 25% installments on each anniversary date of grant based on continued service through the applicable accrual date, provided that no vesting will occur unless the Company maintains a closing stock price of \$18.00 per share for 20 consecutive trading days.

The Company recognizes the stock-based compensation expense on equity awards with market-based vesting conditions in the consolidated statements of operations over the requisite service period. The achievement of certain market-based vesting conditions may result in the acceleration of recognizing stock-based compensation expense compared to the original valuation. As of September 30, 2016, no market-based vesting conditions had been achieved which resulted in the acceleration of expense.

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The following table summarizes equity awards with market-based vesting conditions activity for the nine months ended September 30, 2016 :

	Options with Market-Based Vesting Conditions	Weighted Average Grant Date Fair Value	Restricted Stock Units with Market- Based Vesting Conditions	Weighted Average Grant Date Fair Value
Unvested market-based vesting awards as of December 31, 2015	250,000	\$ 7.41	100,000	\$ 11.32
Market-based vesting awards granted	—	—	325,000	4.34
Market-based vesting awards vested	—	—	—	—
Market-based vesting awards forfeited	—	—	—	—
Unvested market-based vesting awards as of September 30, 2016	250,000	\$ 7.41	425,000	\$ 5.98

### Stock-based Compensation Expense

Stock-based compensation is reflected in the consolidated statement of operations as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Cost of revenues	\$ 189	\$ 195	\$ 600	\$ 524
Research and development	276	273	790	911
General and administrative	1,388	1,745	4,475	5,074
Sales and marketing	277	332	763	909
Total stock-based compensation expense	\$ 2,130	\$ 2,545	\$ 6,628	\$ 7,418

### 10. Income Taxes

The Company's effective income tax rates were 80.0% and (7.3%) for the three months ended September 30, 2016 and 2015 , respectively. The Company's effective income tax rates were (31.1%) and (6.3%) for the nine months ended September 30, 2016 and 2015 , respectively. Our effective income tax rate is based upon estimated income before provision for income taxes for the year, composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for potential tax consequences, benefits and/or resolutions of tax audits or other tax contingencies. For the three and nine months ended September 30, 2016 , the effective income tax rate varied from the statutory income tax rate principally as a result of significant pre-tax book losses in the U.S. and Switzerland that cannot be benefited.

The Company's effective income tax rate in the three and nine months ended September 30, 2016 differed from the three and nine months ended September 30, 2015 primarily due to an increase in foreign earnings resulting from the EVault acquisition, a decrease in profitable foreign earnings resulting from jurisdictional foreign consolidation, and a worldwide consolidated reduction in losses before income taxes.

The statute of limitations for assessment by the Internal Revenue Service ("IRS") and state tax authorities is open for each of the tax years ending December 31, 2013 through 2015 , although carryforward attributes that were generated prior to tax year 2013 may still be adjusted upon examination by the IRS or state tax authorities if they either have been or will be used in a future period. There are currently no federal or state audits in progress in the U.S. or foreign jurisdictions. The statute of limitations for assessments by foreign taxing authorities is generally not open for years prior to 2010, although carryforward attributes that were generated prior to tax year 2010 may still be adjusted upon examinations.

### 11. Commitments and Contingencies

#### Operating Leases

The Company leases facilities under leases that expire at varying dates through 2024 . Certain of these leases contain renewal options and require the Company to pay operating costs, including property taxes, insurance, and maintenance.

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The Company has lease agreements to rent office space in Boston, Massachusetts (corporate headquarters); Lewiston, Maine; Sunnyvale, California; Longmont, Colorado; Munich, Germany; Viersen, Germany; Salt Lake City, Utah; Oakville, Canada; Emeryville, California; Hertogenbosch, Netherlands; Berkshire, United Kingdom and Anatole, France. The Company has lease agreements to rent data center space in Wakefield, Massachusetts; Phoenix, Arizona; Chandler, Arizona; and Ashburn, Virginia. The Company has data center colocation agreements in place with Iron Mountain and Center 7 to rent colocation space at each of their data centers. The terms of several of these leases include escalating rent and free rent periods. Accordingly, the Company recorded a deferred rent liability related to the free rent and escalating rent payments, such that rent is being recognized on a straight-line basis over the terms of the leases. At September 30, 2016 and December 31, 2015, \$4.6 million and \$4.9 million, respectively, was included in accrued expenses and other long-term liabilities related to the deferred rent.

In September 2016, the Company entered a lease agreement for a new data center in Ashburn, Virginia. The initial term of the lease expires on November 30, 2021, with escalating rent payments throughout the term. The Company has the option to extend the original term of the lease for two successive three-year periods. In accordance with the lease, the Company received an incentive whereby the landlord will pay for a portion of the moving expenses associated with moving equipment from the current data center to the Ashburn location. The rent expense is recorded net of the incentive over the term of the lease.

In May 2014, the Company entered into a lease agreement for its new corporate headquarters in Boston, Massachusetts. The initial term of the lease expires on December 31, 2024, and the Company has the option to extend the original term of the lease for one successive five-year period. Upon execution of the lease agreement, the Company was required to post a security deposit of \$0.8 million, which the Company maintains as a letter of credit. The Company's landlord can draw against this letter of credit in the event of default by the Company. The facility was made available to the Company to begin its build-out on June 1, 2014, and as such, the Company began recording rent expense at that time. In accordance with the lease, the Company received a tenant improvement allowance. The rent expense is recorded net of the allowance over the term of the lease. The leasehold improvements associated with the initial build-out are being amortized over the initial term of the lease. Any additional leasehold improvements made during the course of occupancy will be amortized over the shorter of the useful life or remaining life of the lease.

Future non-cancellable minimum lease payments under all operating leases as of September 30, 2016, are as follows (in thousands):

<b>Years Ended December 31,</b>	<b>Office Leases</b>	<b>Data Center Leases</b>	<b>Total</b>
Remainder of 2016	\$ 1,042	\$ 1,051	\$ 2,093
2017	3,894	3,538	7,432
2018	3,161	1,970	5,131
2019	2,387	872	3,259
2020	2,263	827	3,090
Thereafter	8,666	779	9,445
<b>Total</b>	<b>\$ 21,413</b>	<b>\$ 9,037</b>	<b>\$ 30,450</b>

At September 30, 2016, the Company subleased certain office space to third parties, which sublease income will offset lease payments in the table above. Total sublease income under contractual terms is \$0.3 million, with both the sublease and the underlying lease expiring in December 2016.

## Other Non-cancellable Commitments

As of September 30, 2016, the Company had non-cancellable commitments to vendors primarily consisting of advertising, marketing and broadband services contracts, as follows (in thousands):

Years Ended December 31,	
Remainder of 2016	\$ 2,120
2017	2,207
2018	993
2019	—
2020	—
Total	<u>\$ 5,320</u>

## Litigation

On August 30, 2010, Oasis Research sued the Company and 17 other defendants in the United States Court for the Eastern District of Texas alleging infringement of certain of Oasis Research's patents. In October 2015, the parties entered into a confidential agreement to dismiss all matters in the pending cases with prejudice.

Although results of litigation and claims cannot be predicted with certainty, the Company is not presently involved in any legal proceeding in which the outcome, if determined adversely to the Company, would be expected to have a material adverse effect on our business, operating results, or financial condition. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

## 12. Retirement Plan

The Company has a 401(k) defined contribution savings plan for its employees who meet certain employment status and age requirements. The plan allows participants to defer a portion of their annual compensation on a pre-tax basis. Effective January 1, 2012, the Company elected to make a matching contribution of up to 4% of each employee's wages. For the three months ended September 30, 2016 and 2015, the Company's matching contributions to the plan were \$0.6 million and \$0.3 million, respectively. For the nine months ended September 30, 2016 and 2015, the Company's matching contributions to the plan were \$1.4 million and \$0.8 million, respectively.

## 13. Restructuring

In 2016, the Company recorded an immaterial amount of restructuring charges for the three month period ended September 30, 2016 and \$0.8 million for the nine month period ended September 30, 2016. These charges were associated with the reorganization and consolidation of certain operations as well as disposal of certain assets in the first quarter of 2016. In 2014, the Company began a restructuring program to close its Somerville, Massachusetts data center and transition the computer equipment and operations located at the facility to its other Massachusetts data center. Activities related to this effort were completed by the end of the first quarter of 2015. The Company recorded \$0.2 million of restructuring charges for the three month period ended September 30, 2015, and \$0.3 million for the nine month period ended September 30, 2015.

As of September 30, 2016 and December 31, 2015, the Company had \$0.1 million and \$0.4 million accrued related to restructuring, respectively. The remaining amount accrued will be paid in the second half of 2016.

## 14. Revolving Credit Facility

On May 6, 2015, the Company and certain of our subsidiaries entered into a credit agreement with Silicon Valley Bank (the "Credit Facility"), which provides revolving credit financing of up to \$25.0 million, including a \$5.0 million sub-limit for letters of credit. The Credit Facility may be increased by up to an additional \$25.0 million if the existing or additional lenders are willing to make such increased commitments and subject to other terms and conditions. The Credit Facility is available to the Company on a revolving basis during the period commencing on May 6, 2015 through May 6, 2018 at an interest rate of the Wall Street Journal prime rate plus 75 basis points or LIBOR plus 175 basis points, at the option of the Company.

The Credit Facility is secured by substantially all of the Company's assets and contains customary affirmative and negative covenants, including financial covenants specifying a minimum quick ratio and minimum consolidated free cash flow, in each

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case subject to customary and other exceptions for a credit facility of this size and type, each as further described in the Credit Facility. On May 22, 2015, the Company entered into an amendment to the Credit Facility with Silicon Valley Bank (the "Amendment"). The Amendment eliminates from the events which constitute a change of control and, consequently, an event of default, the replacement, under specified circumstances, of a majority of the Company's board of directors. The Amendment also allows the Company to repurchase its capital stock pursuant to a board of directors approved share repurchase plan, so long as the total of such repurchases does not exceed \$20.0 million during the term of the Credit Facility and the Company remains in pro forma compliance with the financial and other covenants. On October 30, 2015, the Company entered into a second amendment to the Credit Facility with Silicon Valley Bank, which included technical corrections relating to certain definitions and calculations of financial covenants. On July 25, 2016, the Company entered into a third amendment to the Credit Facility with Silicon Valley Bank, which included revised definitions for financial covenant calculations.

As of September 30, 2016, the Company was in compliance with these covenants and there was one letter of credit for \$0.8 million outstanding under the Credit Facility related to the security deposit on the lease for the Company's corporate headquarters. Availability under the Credit Facility as of September 30, 2016 was \$24.2 million.

**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 our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed on March 8, 2016 with the SEC.*

**Forward-Looking Statements**

*This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "will," "plan," "project," "seek," "should," "target," "will," "would," and similar expressions or variations intended to identify forward-looking statements. 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 important 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" included in this Quarterly Report on Form 10-Q. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.*

**Overview**

We are a provider of cloud backup and restore solutions. Our solutions provide powerful features packaged in a cost-effective, simple, and secure manner and are designed to address the specific needs of SMBs and individuals.

We derive the majority of our revenue from subscription fees with a consistently strong customer retention rate and scalable infrastructure to support our growth. The remainder of our revenue is derived from software arrangements, which often contain multiple revenue elements, such as software licenses, hardware, professional services and post-contract customer support. Our customers come from the following primary sources: SMBs who buy our solutions directly from our website, our inside sales team, or from our network of partners, and individuals who sign up for Carbonite backup solutions on our website in response to our direct marketing campaigns.

In 2016, we acquired substantially all the assets of EVault for \$14.0 million in cash. We believe the acquisition aligns with our growth strategies, including focusing on SMBs and deepening and strengthening our technology portfolio.

We invest in customer acquisition because the market for our solutions is highly competitive. Our sales model is designed to sell large volumes of our solutions to SMBs globally both directly and through our sales network which includes distributors, value-added resellers, and managed service providers.

We support our sales network with a marketing approach that leverages our established brand in order to drive market awareness and demand generation among the broad population of SMBs and individuals. Our marketing efforts are designed to attract prospective customers and enroll them as paying customers, either through immediate sales, free trials or communication of the benefits of our solutions and development of ongoing relationships.

Our operating costs continue to grow as we invest in strategic acquisitions, customer acquisition, and research and development to grow SMB market share. We expect to continue to devote substantial resources to integration, global expansion, customer acquisition, and product innovation. In addition, we expect to invest heavily in our operations to support anticipated growth and public company reporting and compliance obligations.

We generally defer revenue over our customers' subscription periods but expense marketing costs as incurred. As a result of these factors, we expect to continue to incur GAAP operating losses on an annual basis for the foreseeable future. For the three months ended September 30, 2016, we generated revenues of \$51.9 million, compared to \$34.6 million for the three

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months ended September 30, 2015, an increase of 50%. For the nine months ended September 30, 2016, we generated revenues of \$153.5 million, compared to \$101.6 million for the nine months ended September 30, 2015, an increase of 51%.

### **Our Business Model**

As the majority of our business is driven by subscription services, we evaluate the profitability of a customer relationship over its lifecycle. We generally incur customer acquisition costs and capital equipment costs in advance of subscriptions while recognizing revenue ratably over the terms of the subscriptions. As a result, a customer relationship may not be profitable or result in positive cash flow at the beginning of the subscription period, even though it may be profitable or result in positive cash flow over the life of the customer relationship. While we offer monthly, annual and multi-year subscription plans, a majority of our customers are currently on annual subscription plans. The annual or multi-year commitments of our customers enhance management's visibility into revenue, and charging customers at the beginning of the subscription period provides working capital.

### **Key Business Metrics**

Our management regularly reviews a number of financial and operating metrics, including the following key metrics, to evaluate our business:

- *Bookings.* We calculate bookings as revenue recognized during a particular period plus the change in total deferred revenue, excluding deferred revenue recorded in connection with acquisitions, net of foreign exchange during the same period. Our management uses this measure as a proxy for cash receipts. Bookings represent the aggregate dollar value of customer subscriptions and software arrangements, which may include multiple revenue elements, such as software licenses, hardware, professional services and post-contractual support, sold by us during a period. We initially record a subscription fee as deferred revenue and then recognize it ratably, on a daily basis, over the life of the subscription period.
- *Annual retention rate.* We calculate annual retention rate as the percentage of subscription customers on the last day of the prior year who remain customers on the last day of the current year, or for quarterly presentations, the percentage of customers on the last day of the comparable quarter in the prior year who remain customers on the last day of the current quarter. Our management uses these measures to determine the stability of our customer base and to evaluate the lifetime value of our customer relationships.
- *Renewal rate.* We define renewal rate for a period as the percentage of customers who renew annual or multi-year subscriptions that expire during the period presented. Our management uses this measure to monitor trends in customer renewal activity.
- *Adjusted free cash flow.* We calculate adjusted free cash flow by subtracting the cash paid for the purchase of property and equipment and adding the payments related to corporate headquarter relocation, acquisition-related payments, hostile takeover-related payments, CEO transition payments, restructuring-related payments, litigation-related payments and the cash portion of the lease exit charge from net cash provided by operating activities. Our management uses adjusted free cash flow to assess our business performance and evaluate the amount of cash generated by our business.

Subscription renewals may vary during the year based on the date of our customers' original subscriptions. As we recognize subscription revenue ratably over the subscription period, this generally has not resulted in a material seasonal impact on our revenue but may result in material monthly and quarterly variances in one or more of the key business metrics described above.

## Performance Highlights

The following table presents our performance highlights for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands, except percentage data)			
<b>Key metrics (1):</b>				
Bookings	\$ 49,238	\$ 34,178	\$ 155,246	\$ 106,732
Annual retention rate	86%	84%	86%	83%
Renewal rate	83%	83%	84%	82%
Adjusted free cash flow	\$ 4,524	\$ 1,375	\$ 11,249	\$ 7,118

(1) See the *Key Business Metrics* section for the definition of these key metrics, and refer to the *Other Financial Data* section for the reconciliation of bookings and adjusted free cash flow to the most directly comparable financial measures presented in accordance with GAAP.

The following table presents our bookings by line of business for the periods presented:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change %	2016	2015	Change %
	(in thousands, except percentage data)					
Consumer	\$ 20,426	\$ 21,688	(6)%	\$ 64,774	\$ 68,045	(5)%
SMB	28,812	12,490	131 %	90,472	38,687	134 %
Total bookings	\$ 49,238	\$ 34,178	44 %	\$ 155,246	\$ 106,732	45 %

Our bookings increased by \$15.1 million and \$48.5 million for the three and nine month periods ended September 30, 2016, respectively, compared to the corresponding periods in 2015, primarily due to the inclusion of bookings from the acquisition of EVault which closed during 2016, and increased sales of higher priced SMB solutions. We continue to focus on growing our relationships with active reseller partners, with bookings for our small business solutions representing 59% of total bookings for the third quarter of 2016, up from 37% in the third quarter of 2015. Our total bookings growth rates for the three and nine month periods ended September 30, 2016 were impacted by a decline in our growth rates in consumer bookings. We expect this trend to continue.

Our adjusted free cash flow has increased by \$3.1 million and \$4.1 million for the three and nine month periods ended September 30, 2016 compared to the corresponding periods in 2015, respectively, primarily due to improved operating efficiencies resulting from the acquisition of EVault and a decrease in purchases related to storage equipment for our data centers.

## Key Components of our Condensed Consolidated Statements of Operations

### Revenue

We derive our revenue principally from subscription fees related to our service solutions as well as the sale of software arrangements, which often contain multiple revenue elements, such as software licenses, hardware, professional services and post-contract customer support. We initially record a customer subscription fee as deferred revenue and then recognize it as revenue ratably, on a daily basis, over the life of the subscription period.

### Cost of revenue

Cost of revenue consists primarily of costs associated with our data center operations and customer support centers, including wages and benefits for personnel, depreciation of equipment, amortization of developed technology, rent, utilities and broadband, equipment maintenance, software license fees, and allocated overhead. The expenses related to hosting our services and supporting our customers are related to the number of customers and the complexity of our services and hosting infrastructure. Our cost of storage has decreased over time due to decreases in storage prices and greater efficiency in our data center operations. We have also experienced a downward trend in the cost of storage equipment and broadband service, which

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we expect will continue in the future. Over the long term, we expect these expenses to increase in absolute dollars, but decrease as a percentage of revenue due to improved efficiencies in supporting customers over the long term.

### *Gross profit and gross margin*

Historically, our gross margins have expanded due to the introduction of higher priced solutions targeting both SMBs and individuals, a downward trend in the cost of storage equipment and services, and efficiencies of our customer support personnel in supporting our customers. We expect these trends to continue over the long term.

### *Operating expenses*

*Research and development.* Research and development expenses consist primarily of wages and benefits for development personnel, third-party outsourcing costs, hosting fees, consulting fees, rent, and depreciation. Our research and development efforts are focused on the enhancement and ease of use of our solutions. These efforts result in updated versions and new suites of our consumer and SMB solutions, while not changing the underlying technology. The majority of our research and development employees are located in Canada and at our corporate headquarters in the U.S. We expect that research and development expenses will increase in absolute dollars on an annual basis as we continue to enhance and expand our services.

*General and administrative.* General and administrative expenses consist primarily of wages and benefits for management, finance, accounting, human resources, legal and other administrative personnel, legal and accounting fees, insurance, and other corporate expenses. We expect that general and administrative expenses will increase in absolute dollars on an annual basis as we continue to add personnel and enhance our internal information systems in connection with the anticipated growth of our business and incur costs related to operating as a public company.

*Sales and marketing.* Sales and marketing expenses consist primarily of wages and benefits for sales and marketing personnel, advertising costs, creative expenses for advertising programs, credit card fees, commissions paid to third-party partners and affiliates, and the cost of providing free trials. We expect that we will continue to commit significant resources to our sales and marketing efforts to grow our business and awareness of our brand and solutions. We expect that sales and marketing expenses will continue to increase in absolute dollars on an annual basis.

*Restructuring charges.* Restructuring charges consist of charges related to the Company's restructuring efforts associated with the reorganization and consolidation of certain operations as well as disposal of certain assets. See *Note 13—Restructuring* to our condensed consolidated financial statements included in this Quarterly Report for additional information.

## **Critical Accounting Policies**

Our financial statements are prepared in accordance with GAAP. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions, and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances, but all such estimates and assumptions are inherently uncertain and unpredictable. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from those estimates and assumptions, and it is possible that other professionals, applying their own judgment to the same facts and circumstances, could develop and support alternative estimates and assumptions that would result in material changes to our operating results and financial condition.

We consider the assumptions and estimates associated with revenue recognition, business combinations, goodwill and acquired intangible assets, income taxes and stock-based compensation to be our critical accounting policies and estimates. For further information on our critical and other significant accounting policies, see the notes to the condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K, as filed on March 8, 2016 with the SEC.

## **Results of Operations**

The following table sets forth, for the periods presented, data from our condensed consolidated statements of operations as a percentage of revenue that each line item represents. The period-to-period comparison of financial results is not necessarily indicative of future results. The information contained in the table below should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(% of revenue)			
<b>Consolidated statements of operations data:</b>				
Revenue	100.0%	100.0 %	100.0 %	100.0 %
Cost of revenue	29.8	28.3	30.0	29.1
Gross profit	70.2	71.7	70.0	70.9
Operating expenses:				
Research and development	15.7	20.6	16.5	21.2
General and administrative	17.4	29.7	20.1	25.1
Sales and marketing	36.3	37.2	34.6	40.2
Restructuring charges	0.1	0.7	0.5	0.3
Total operating expenses	69.5	88.2	71.7	86.8
Income (loss) from operations	0.7	(16.5)	(1.7)	(15.9)
Interest and other income (expense), net	0.3	0.4	—	0.1
Income (loss) before income taxes	1.0	(16.1)	(1.7)	(15.8)
Provision for income taxes	0.8	1.2	0.5	1.0
Net income (loss)	0.2%	(17.3)%	(2.2)%	(16.8)%

**Comparison of the Three and Nine Months Ended September 30, 2016 and 2015**

*Revenue*

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
	(in thousands, except percentage data)					
Revenue	\$ 51,948	\$ 34,553	\$ 17,395	50.3%	\$ 153,498	\$ 101,551 \$ 51,947 51.2%

Revenue increased for each of the three and nine month periods ended September 30, 2016 as compared to the three and nine month periods ended September 30, 2015, primarily due to the inclusion of revenue from our recently acquired EVault product offerings and increased sales of higher priced SMB solutions.

*Cost of revenue, gross profit, and gross margin*

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	2016	2015	Change
	(in thousands, except percentage data)					
Cost of revenue	\$ 15,459	\$ 9,774	\$ 5,685	58.2%	\$ 46,078	\$ 29,588 \$ 16,490 55.7%
Percent of revenue	29.8%	28.3%		30.0%	29.1%	
Components of cost of revenue:						
Personnel-related costs	\$ 5,720	\$ 3,450	\$ 2,270	65.8%	\$ 17,723	\$ 10,398 \$ 7,325 70.4%
Hosting and depreciation costs	5,326	4,903	423	8.6%	16,641	15,009 1,632 10.9%
Software, amortization and other	4,413	1,421	2,992	210.6%	11,714	4,181 7,533 180.2%
Total cost of revenue:	\$ 15,459	\$ 9,774	\$ 5,685	58.2%	\$ 46,078	\$ 29,588 \$ 16,490 55.7%
Gross profit	\$ 36,489	\$ 24,779	\$ 11,710	47.3%	\$ 107,420	\$ 71,963 \$ 35,457 49.3%
Gross margin	70.2%	71.7%		70.0%	70.9%	

Our gross margin remained relatively consistent for each of the three and nine month periods ended September 30, 2016 as compared to the three and nine month periods ended September 30, 2015. The increase in total costs of revenue in each of the

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three and nine month periods ended September 30, 2016 is due primarily to an increase in costs associated with revenue related to the acquisition of EVault.

*Operating expenses*

*Research and development*

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	2015	Change		2016	2015	Change	
(in thousands, except percentage data)								
Research and development	\$ 8,156	\$ 7,123	\$ 1,033	14.5 %	\$ 25,272	\$ 21,500	\$ 3,772	17.5 %
Percent of revenue	15.7%	20.6%			16.5%	21.2%		
Components of costs of research and development:								
Personnel-related costs	\$ 6,294	\$ 5,312	\$ 982	18.5 %	\$ 19,271	\$ 16,142	\$ 3,129	19.4 %
Third-party outsourcing costs	331	945	(614)	(65.0)%	864	2,750	(1,886)	(68.6)%
Hosting, consulting and other	1,531	866	665	76.8 %	5,137	2,608	2,529	97.0 %
Total research and development:	\$ 8,156	\$ 7,123	\$ 1,033	14.5 %	\$ 25,272	\$ 21,500	\$ 3,772	17.5 %

Research and development expenses increased for each of the three and nine month periods ended September 30, 2016 as compared to the three and nine month periods ended September 30, 2015, primarily as a result of an increase in personnel-related costs associated with additional research and development headcount related to the EVault acquisition and an increase of hosting, consulting and other expenses associated with enhancing the functionality and ease of use of our solutions, offset by a decrease in engineering outsourcing costs.

*General and administrative*

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	2015	Change		2016	2015	Change	
(in thousands, except percentage data)								
General and administrative	\$ 9,059	\$ 10,273	\$ (1,214)	(11.8)%	\$ 30,868	\$ 25,473	\$ 5,395	21.2 %
Percent of revenue	17.4%	29.7%			20.1%	25.1%		
Components of general and administrative:								
Personnel-related costs	\$ 5,126	\$ 4,260	\$ 866	20.3 %	\$ 15,659	\$ 13,009	\$ 2,650	20.4 %
Professional fees	1,489	5,597	(4,108)	(73.4)%	8,667	10,343	(1,676)	(16.2)%
Consulting, taxes and other	2,444	416	2,028	487.5 %	6,542	2,121	4,421	208.4 %
Total general and administrative:	\$ 9,059	\$ 10,273	\$ (1,214)	(11.8)%	\$ 30,868	\$ 25,473	\$ 5,395	21.2 %

General and administrative expenses decreased for the three month period ended September 30, 2016 as compared to the three month period ended September 30, 2015, primarily as a result of decreased litigation expenses included in professional fees. This decrease was partially offset by increased personnel-related costs associated with additional headcount related to the EVault acquisition and increased transaction tax expenses included in consulting, taxes and other.

General and administrative expenses increased for the nine month period ended September 30, 2016 as compared to the nine month period ended September 30, 2015, primarily as a result of an increase in personnel-related costs associated with additional headcount related to the EVault acquisition and higher consulting and transaction tax expenses included in consulting, taxes and other. Additionally, professional fees decreased related to a decline in hostile takeover expenses and litigation-related expenses, partially offset by increased acquisition and integration-related expenses associated with the acquisition of EVault.

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### *Sales and marketing*

	Three Months Ended September 30,				Nine Months Ended September 30,				
	2016	2015	Change		2016	2015	Change		
	(in thousands, except percentage data)								
Sales and marketing	\$ 18,864	\$ 12,860	\$ 6,004	46.7 %	\$ 53,069	\$ 40,811	\$ 12,258	30.0 %	
Percent of revenue	36.3%	37.2%			34.6%	40.2%			
Components of sales and marketing:									
Personnel-related costs	\$ 7,847	\$ 4,781	\$ 3,066	64.1 %	\$ 23,505	\$ 14,649	\$ 8,856	60.5 %	
Advertising costs	4,676	3,593	1,083	30.1 %	12,736	11,569	1,167	10.1 %	
Costs of credit card transactions and offering free trials	1,561	1,846	(285)	(15.4)%	4,871	5,645	(774)	(13.7)%	
Agency fees, consulting and other	4,780	2,640	2,140	81.1 %	11,957	8,948	3,009	33.6 %	
Total sales and marketing:	\$ 18,864	\$ 12,860	\$ 6,004	46.7 %	\$ 53,069	\$ 40,811	\$ 12,258	30.0 %	

Sales and marketing expenses increased for each of the three and nine month periods ended September 30, 2016 as compared to the three and nine month periods ended September 30, 2015, primarily due to increased personnel-related costs associated with increased sales headcount related to the EVault acquisition. Additionally, sales and marketing expenses increased due to an increase in our overall marketing efforts associated with EVault included within advertising costs and an increase in consulting and other expenses related to the inclusion of the EVault business in our consolidated results.

### *Restructuring*

We recorded an immaterial amount of restructuring charges for the three month period ended September 30, 2016 and \$0.8 million for the nine month period ended September 30, 2016, respectively, primarily related to the reorganization and consolidation of certain operations as well as disposal of certain assets in the first quarter of 2016. We recorded \$0.2 million of restructuring charges for the three month period ended September 30, 2015 and \$0.3 million for the nine month period ended September 30, 2015, which was related to the completion of our data center optimization program. See *Note 13—Restructuring* to our condensed consolidated financial statements included in this Quarterly Report for additional information.

### *Income Taxes*

We recorded income tax expense of \$0.4 million and \$0.4 million for the three month periods ended September 30, 2016 and September 30, 2015, respectively. Our effective income tax rates were 80.0% and (7.3%) for the three month periods ended September 30, 2016 and September 30, 2015, respectively. We recorded income tax expense of \$0.8 million and \$1.0 million for the nine month periods ended September 30, 2016 and September 30, 2015, respectively. Our effective income tax rates were (31.1%) and (6.3%) for the nine month periods ended September 30, 2016 and September 30, 2015, respectively. Our effective income tax rate varied from the statutory income tax rate principally as a result of significant pre-tax book losses in the U.S. and Switzerland that cannot be benefited.

### **Other Financial Data**

In addition to our results discussed above determined under GAAP, we believe that bookings, annual retention rate, renewal rate, and adjusted free cash flow are useful to investors in evaluating our operating performance. See the *Performance Highlights* section for the table presenting our performance highlights for the three and nine months ended September 30, 2016 and 2015. Management considers these financial and operating metrics critical to understanding our business, reviewing our historical performance, measuring and identifying current and future trends, and for planning purposes. Securities analysts also frequently use bookings and adjusted free cash flow as supplemental measures to evaluate the overall performances of companies.

Bookings and adjusted free cash flow are financial data that are not calculated in accordance with GAAP. The tables below provide reconciliation of bookings and adjusted free cash flow to revenue and cash provided by operating activities, respectively, the most directly comparable financial measures calculated and presented in accordance with GAAP.

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Our management uses annual retention rate to determine the stability of our customer base and to evaluate the lifetime value of our customer relationships. As customers' annual and multi-year subscriptions come up for renewal throughout the calendar year based on the dates of their original subscriptions, measuring retention on a trailing 12 month basis at the end of each quarter provides our management with useful and timely information about the stability of our customer base. Management uses renewal rate to monitor trends in customer renewal activity.

Our management uses bookings as a proxy for cash receipts. Bookings represent the aggregate dollar value of customer subscriptions and software arrangements, which may include multiple revenue elements, such as software licenses, hardware, professional services and post-contractual support, received by us during a period. We initially record a subscription fee as deferred revenue and then recognize it ratably, on a daily basis, over the life of the subscription period. Management uses bookings and adjusted free cash flow as measures of our operating performance; for planning purposes, including the preparation of our annual operating budget; to allocate resources to enhance the financial performance of our business; to evaluate the effectiveness of our business strategies; to provide consistency and comparability with past financial performance; to determine capital requirements; to facilitate a comparison of our results with those of other companies; and in communications with our Board of Directors concerning our financial performance. We also use bookings and adjusted free cash flow as factors when determining management's incentive compensation. Management believes that the use of bookings and adjusted free cash flow provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Although bookings and adjusted free cash flow are frequently used by investors and securities analysts in their evaluations of companies, these metrics have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results of operations as reported under GAAP. Some of these limitations are:

- bookings do not reflect our receipt of payment from customers;
- adjusted free cash flow does not reflect our future requirements for contractual commitments to vendors;
- adjusted free cash flow does not reflect the non-cash component of employee compensation or depreciation and amortization of property and equipment; and
- other companies in our industry may calculate bookings or adjusted free cash flow or similarly titled measures differently than we do, limiting their usefulness as comparative measures.

The following tables present reconciliations of our bookings and adjusted free cash flow to revenue and cash provided by operating activities, respectively, the most directly comparable financial measures calculated and presented in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Revenue	\$ 51,948	\$ 34,553	\$ 153,498	\$ 101,551
Add change in deferred revenue, net of foreign exchange (excluding acquisitions)	(2,710)	(375)	1,748	5,181
Bookings	\$ 49,238	\$ 34,178	\$ 155,246	\$ 106,732

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Cash provided by operating activities	\$ 5,037	\$ 1,993	\$ 3,364	\$ 8,540
Subtract capital expenditures	(906)	(3,367)	(3,715)	(8,273)
Free cash flow	4,131	(1,374)	(351)	267
Add payments related to corporate headquarter relocation	—	—	—	1,309
Add acquisition-related payments	190	516	9,981	897
Add hostile takeover-related payments	—	128	—	1,791
Add CEO transition expenses	—	—	—	29
Add restructuring-related payments	—	—	341	—
Add cash portion of lease exit charge	203	75	354	786
Add litigation-related payments	—	2,030	924	2,039
Adjusted free cash flow	\$ 4,524	\$ 1,375	\$ 11,249	\$ 7,118

### Liquidity and Capital Resources

As of September 30, 2016, we had cash and cash equivalents and marketable securities of \$49.1 million, which consisted of cash, money market funds, U.S. agency and treasury securities, and certificates of deposit. We have available borrowings under our revolving credit facility of up to \$25.0 million, which we can draw down on through May 6, 2018.

#### *Sources of funds*

We believe, based on our current operating plan, that our existing cash and cash equivalents, marketable securities, cash provided by operations, and borrowings available under our revolving credit facility will be sufficient to meet our anticipated cash needs for at least the next 12 months.

From time to time, we may explore additional financing sources to develop or enhance our solutions, fund expansion, respond to competitive pressures, acquire or to invest in complementary products, businesses or technologies, or to lower our cost of capital, which could include equity, equity-linked, and debt financing. There can be no assurance that any additional financing will be available to us on acceptable terms, if at all. If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock.

Our revolving credit facility allows us to borrow up to \$25.0 million, including a \$5.0 million sub-limit for letters of credit, through May 6, 2018. Our revolving credit facility may be increased by up to an additional \$25.0 million if the existing or additional lenders are willing to make such increased commitments and subject to other terms and conditions. Our revolving credit facility shall be available to us at an interest rate of the Wall Street Journal prime rate plus 75 basis points or LIBOR plus 175 basis points, at our option, and is secured by substantially all of our assets and contains customary affirmative and negative covenants, including financial covenants specifying a minimum quick ratio and minimum consolidated free cash flow, in each case subject to customary and other exceptions for a credit facility of this size and type. To date, we were in compliance with these covenants and there was one letter of credit for \$0.8 million outstanding under the credit facility related to the security deposit for our corporate headquarters. As of September 30, 2016, the availability under the credit facility was \$24.2 million.

#### *Uses of funds*

We have increased our operating and capital expenditures in connection with the growth in our operations and the increase in our personnel, and we anticipate that we will continue to increase such expenditures in the future. Our future capital requirements may vary materially from those now planned and will depend on many factors, including:

- potential future acquisition opportunities;
- the levels of advertising and promotion required to acquire and retain customers;
- expansion of our data center infrastructure necessary to support our growth;
- growth of our operations in the U.S. and worldwide;

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- our development and introduction of new solutions; and
- the expansion of our sales, customer support, research and development, and marketing organizations.

Future capital expenditures will focus on acquiring additional data storage and hosting capacity and general corporate infrastructure. We are not currently party to any purchase contracts related to future capital expenditures, other than short-term purchase orders.

### *Cash flows*

The following table summarizes our net cash inflows (outflows) for the nine months ended September 30, 2016 and 2015.

	Nine Months Ended September 30,	
	2016	2015
	(in thousands)	
Net cash provided by operating activities	\$ 3,364	\$ 8,540
Net cash (used in) provided by investing activities	\$ (15,614)	\$ 8,315
Net cash used in financing activities	\$ (2,733)	\$ (1,170)

### *Operating activities*

Our cash flows from operating activities are significantly influenced by the amount of our net income (loss), growth in sales and customer growth, changes in working capital accounts, the timing of prepayments and payments to vendors, add-backs of non-cash expense items such as depreciation and amortization, and stock-based compensation expense.

In the nine months ended September 30, 2016, cash provided by operating activities was \$3.4 million, which was driven by a \$1.8 million increase in deferred revenue and a net adjustment for non-cash charges of \$19.5 million, primarily comprised of \$12.2 million of depreciation and amortization, \$6.6 million of stock-based compensation expense, \$0.5 million loss on disposal of equipment and \$0.2 million in other non-cash items. These cash inflows were partially offset by an increase in working capital of \$13.9 million due primarily to timing of payments and customer receipts, our net loss of \$3.4 million and a decrease in other assets and liabilities of \$0.6 million.

In the nine months ended September 30, 2015, cash provided by operating activities was \$8.5 million, which was primarily driven by a \$5.2 million increase in deferred revenue associated with an increase in subscription sales and customer growth. Net cash inflows from operating activities for the nine months ended September 30, 2015 included non-cash charges of \$17.6 million, primarily comprised of \$10.3 million of depreciation and amortization and \$7.4 million of stock-based compensation expense, and an increase in working capital of \$2.5 million and other assets and long-term liabilities of \$0.2 million. These cash inflows were partially offset by our net loss of \$17.0 million.

### *Investing activities*

In the nine months ended September 30, 2016, cash used in investing activities was \$15.6 million, which was primarily driven by our payment of \$11.6 million in connection with the acquisition of EVault, a purchase of marketable securities and derivatives of \$1.5 million, and capital expenditures of \$3.7 million, offset by proceeds from maturities of marketable securities of \$1.2 million.

In the nine months ended September 30, 2015, cash provided by investing activities was \$8.3 million, which was primarily driven by a \$17.5 million increase in cash relating to proceeds from maturities of marketable securities and derivatives, a \$0.7 million increase relating to a decrease in restricted cash, and a \$0.1 million increase related to proceeds from the sale of property, plant, and equipment. These cash inflows were partially offset by capital expenditures of \$8.3 million, a purchase of marketable securities and derivatives of \$0.7 million, and the use of \$1.0 million, net of cash acquired, in connection with the previously disclosed acquisition of certain assets of Rebit, Inc. in August 2015.



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Other purchase commitments shown above consist of contractual commitments to various vendors primarily for advertising, marketing, and broadband services.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Quantitative and Qualitative Disclosures about Market Risk**

For quantitative and qualitative disclosures about market risk affecting us, see Item 7A “Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K filed with the SEC on March 8, 2016. Our exposure to market risks has not changed materially from that set forth in our Annual Report.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2016. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Inherent Limitations on Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

See Note 11 – *Commitments and Contingencies* to our condensed consolidated financial statements included in this Quarterly Report for information concerning litigation. From time to time, we have been and may become involved in legal proceedings arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, we are not presently involved in any legal proceeding in which the outcome, if determined adversely to us, would be expected to have a material adverse effect on our business, operating results, or financial condition. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

**ITEM 1A. RISK FACTORS**

The Company's operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition, liquidity and results of operations. There have been no material changes to the risks and uncertainties previously presented in "Item 1A. Risk Factors", in our Annual Report on Form 10-K filed with the SEC on March 8, 2016.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****(a) Sale of Unregistered Securities**

Not applicable. The Company did not sell unregistered securities in the three months ended September 30, 2016.

**(b) Use of Proceeds**

Not applicable. The Company did not receive proceeds for the sale of unregistered securities in the three months ended September 30, 2016.

**(c) Issuer Purchases of Equity Securities**

The following table is a summary of our repurchases of our common stock in the third quarter of 2016:

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share (2)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May be Purchased Under the Plans or Programs (3)
July 1, 2016 - July 31, 2016	—	\$ —	—	\$ 10,178,709
August 1, 2016 - August 31, 2016	—	\$ —	—	\$ 10,178,709
September 1, 2016 - September 30, 2016	8,939	\$ 14.25	—	\$ 10,178,709
	8,939		—	

- (1) During the three months ended September 30, 2016, 8,939 shares were withheld by the Company to satisfy tax withholding obligations in connection with the vesting of restricted stock units. We did not repurchase any shares of our common stock pursuant to our previously-announced program.
- (2) The average price per share for each of the months in the fiscal quarter was calculated by dividing (a) the sum for the aggregate value of the tax withholding obligations and the aggregate amount we paid for shares acquired under our share repurchase program, described in *Note 8—Stockholders' Equity* to our condensed consolidated financial statements, by (b) the sum of the number of shares withheld and the number of shares acquired in our share repurchase program.
- (3) In May 2015, our Board of Directors authorized a \$20.0 million share repurchase program, announced on May 14, 2015 and effective from May 15, 2015 through May 15, 2018.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not Applicable.

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**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

Exhibits

10.1†	Eighth Amendment to Turn Key Datacenter Lease with GIP Wakefield, LLC, dated as of September 30, 2016.
10.2†	Deed of Turn Key Datacenter Lease with Digital Loudoun Parkway Center North, LLC, dated as of September 30, 2016.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

† Portions of this exhibit have been omitted pending a determination by the Securities and Exchange Commission as to whether these portions should be granted confidential treatment.

**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.

**CARBONITE, INC.**

Dated: November 9, 2016

By: /s/ Mohamad Ali

Mohamad Ali  
Chief Executive Officer

Dated: November 9, 2016

By: /s/ Anthony Folger

Anthony Folger  
Chief Financial Officer

Dated: November 9, 2016

By: /s/ Cassandra Hudson

Cassandra Hudson  
Chief Accounting Officer

**EIGHTH AMENDMENT**  
**TO**  
**TURN KEY DATACENTER LEASE**

**THIS EIGHTH AMENDMENT TO TURN KEY DATACENTER LEASE** (this “**Amendment**”) is made and entered into as of the latest date of execution as shown on the signature page hereof (the “**8A Effective Date**”), by and between **GIP WAKEFIELD, LLC**, a Delaware limited liability company (“**Landlord**”), and **CARBONITE, INC.**, a Delaware corporation (“**Tenant**”).

LANDLORD: GIP Wakefield, LLC, a Delaware limited liability company

TENANT: Carbonite, Inc., a Delaware corporation

EXISTING PREMISES: Original Premises: Approximately 3,100 square feet of area on the [\*\*\*] floor of the Building (Suite [\*\*\*]), caged as shown on Exhibit “A” attached to the Original TKD Lease. The Original Premises are used for datacenter purposes and were leased pursuant to the Original TKD Lease.

Additional Premises: i) Approximately 1,094 square feet of area on the [\*\*\*] floor of the Building (Suite [\*\*\*]), as shown on Exhibit “A”, Second Amendment, dated March 31, 2012 (the “**2A Expansion Premises**”); ii) approximately 855 square feet of area on the [\*\*\*] ([\*\*\*]) floor of the Building (Suite [\*\*\*]), as shown on Exhibit “A”, Fourth Amendment, dated February 14, 2013 (the “**4A Expansion Premises**”); iii) approximately 867 square feet of area on the [\*\*\*] ([\*\*\*]) floor of the Building (Suite [\*\*\*]) as shown on Exhibit “A-6A-1”, Sixth Amendment, dated September 30, 2014 (the “**6A Expansion Premises-A**”). The Additional Premises are used for datacenter purposes and were leased pursuant to the Second Amendment, the Fourth Amendment and the Sixth Amendment.

Original OS Tenant Space: Approximately 420 rentable square feet in Suite [\*\*\*] as depicted on the diagram of the OS Tenant Space contained on Exhibit “A”, attached to the Office Space Rider. The Original OS Tenant Space is used for office purposes and was leased pursuant to the Office Space Rider.

Relocation Additional OS Tenant Space: Approximately 1,075 square feet on the [\*\*\*] ([\*\*\*]) floor of the Building, as shown on Exhibit “A”, Fifth Amendment dated February 6, 2014.

POP Tenant Space: POP Premises: One (1) one-quarter rack in the POP Room, as set forth on Exhibit “A” attached to the

POP Room Rider.

POP Pathway : As shown on Exhibit "C" to the Original TKD Lease.

[\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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Storage Space: Approximately 950 square feet of area on the [\*\*\*] ([\*\*\*]) floor of the Building, as shown on Exhibit "A", Third Amendment, dated June 11, 2012. The Storage Space is used for storage purposes and was leased pursuant to the Third Amendment.

LEASE DATA: Date of Datacenter Lease: June 3, 2011

Date of Office Space Rider: June 3, 2011

Date of POP Room Rider: June 3, 2011

Commencement Date of Lease: August 1, 2011

Previous Lease Amendments:

- i) First Amendment to Datacenter Lease dated as of September 15, 2011 ("1A")
- ii) Second Amendment to Datacenter Lease dated March 31, 2012 ("2A")
- iii) Third Amendment to Datacenter Lease dated June 11, 2012 ("3A")
- iv) Fourth Amendment to Datacenter Lease dated February 14, 2013 ("4A")
- v) Fifth Amendment to Datacenter Lease dated February 6, 2014 ("5A")
- vi) Sixth Amendment to Turn Key Datacenter Lease dated September 30, 2014 ("6A")
- vii) Seventh Amendment to Turn Key Datacenter Lease dated September 30, 2015 ("7A")

Current Termination Date per the 7A Amendment: September 30, 2016 (co-terminus with the term of the Lease with respect to the Existing Premises)

\*\*\* Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**WITNESSETH:**

**WHEREAS**, Landlord and Tenant have heretofore entered into that certain Turn Key Datacenter Lease having an effective date of June 3, 2011 (the “**Original TKD Lease**”) covering approximately 3,100 square feet (the “**Original Premises**”) in the Datacenter in that certain building located at 200 Quannapowitt Parkway, Wakefield, Massachusetts (the “**Building**”); The Original TKD Lease, the Office Space Rider, the POP Room Rider, 1A, 2A, 3A, 4A, 5A, 6A and 7A, shall be referred to herein, collectively, as the “**Lease**”);

**WHEREAS**, each capitalized term or phrase used in this Amendment shall have the same meaning as the meaning ascribed to such term or phrase in the Lease unless expressly otherwise defined in this Amendment; and

**WHEREAS**, Landlord and Tenant desire to further modify the terms of the Lease in accordance with the terms and conditions herein provided.

**NOW, THEREFORE**, for and in consideration of the covenants set forth herein and other good and valuable consideration paid by each party hereto to the other, the receipt and sufficiency of which are hereby mutually acknowledged, Landlord and Tenant hereby agree as follows:

1. **Term.**

A. **8A Extension Term.** Currently, the Term of the Lease is scheduled to expire on September 30, 2016. Effective as of the 8A Effective Date, the Term of the Lease is hereby extended for a period of twelve (12) calendar months (the “**8A Extension Term**”), so as to expire on September 30, 2017 (“**8A Extension Term Expiration Date**”).

B. **Early Expiration Right.** Notwithstanding the foregoing, Tenant shall have the option to cause the 8A Extension Term to expire prior to the 8A Extension Term Expiration Date by delivering written notice (the “**Early Expiration Option Notice**”) to Landlord on or after March 31, 2017 (the “**Early Expiration Option Date**”). If Tenant properly delivers the Early Expiration Option Notice, then the 8A Extension Term shall be deemed to expire on the date set forth in the Early Expiration Option Notice, but in no event earlier than thirty (30) days after Landlord receives the Early Expiration Option Notice.

2. **Electricity Consumption Threshold.** Currently, the Electricity Consumption Threshold for the Premises is 855 total kW, as set forth in Item 1 of Table A-140 on **Exhibit “F-6A”** to 6A. Effective as of, and from and after the 8A Effective Date, Item 1 of Table A-140 is hereby amended to reflect an Electricity Consumption Threshold for the 8A Extension Term as follows:

<b>Period</b>	<b>Electricity Consumption Threshold</b>
10/1/16 - 10/31/16	770 kW
11/1/16 - 11/30/16	700 kW
12/1/16 - 12/30/16	630 kW
1/1/17 - 1/31/17	560 kW
2/1/17 - 2/28/17	490 kW
3/1/17 - 3/31/17	420 kW
4/1/17 - 4/30/17	350 kW
5/1/17 - 5/31/17	280 kW
6/1/17 - 6/30/17	210 kW
7/1/17 - 7/31/17	140 kW
8/1/17 - 8/31/17	70 kW
9/1/17 - 9/30/17	0 kW

\*\*\* Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

3. **Base Rent.**

A. Notwithstanding anything in the Lease to the contrary, Tenant hereby agrees to pay to Landlord the following amounts as Base Rent, OS Base Rent and POP Base Rent, as applicable, during the 8A Extension Term:

Period	BR Ramp Down Reference	Monthly Base Rent - Original Premises, 2A Expansion Premises, 4A Expansion Premises, and 6A Expansion Premises-A	Monthly OS Base Rent - Original OS Tenant Space	Monthly OS Base Rent - Relocation Additional OS Tenant Space	Monthly POP Base Rent	Monthly Base Rent - Storage Space	Total Monthly Base Rent
10/1/16 - 10/31/16	770 kW	***	***	***	***	***	***
11/1/16 - 11/30/16	700 kW	***	***	***	***	***	***
12/1/16 - 12/30/16	630 kW	***	***	***	***	***	***
1/1/17 - 1/31/17	560 kW	***	***	***	***	***	***
2/1/17 - 2/28/17	490 kW	***	***	***	***	***	***
3/1/17 - 3/31/17	420 kW	***	***	***	***	***	***
4/1/17 - 4/30/17	350 kW	***	***	***	***	***	***
5/1/17 - 5/31/17	280 kW	***	***	***	***	***	***
6/1/17 - 6/30/17	210 kW	***	***	***	***	***	***
7/1/17 - 7/31/17	140 kW	***	***	***	***	***	***
8/1/17 - 8/31/17	70 kW	***	***	***	***	***	***
9/1/17 - 9/30/17	0 kW	***	***	***	***	***	***

B. **Ramp-Down Schedule.**

i. The parties acknowledge that the entirety of the Electricity Consumption Threshold as of October 1, 2016 (i.e., 770 kW) may be available for use in the Premises during the balance of the 8A Extension Term, notwithstanding the reduction in the Electricity Consumption Threshold set forth in Section 2, above. The parties further acknowledge, however, that the amounts of monthly Base Rent for the period occurring from and after November 1, 2016 (the “**ECT Ramp Down Period**”) are based on the thought that Tenant’s utilization of power will be “ramped down” through the end of the 8A Extension Term (e.g., the Base Rent stated in Section 3.A, above, for the month of November 2016 is based on a reduced Electricity Consumption Threshold of 700kW, as follows  $700\text{kW} \times \$ [***/\text{kW}] = \$ [***/\text{month}]$ ). In this situation, “700kW” is referred to as the “**BR Ramp Down Reference**” for the purposes of calculating the Base Rent amount for the month of November 2016. The intent of this Section 3.B. is to account for the possibility (and results) of Tenant’s utilization of power in excess of the Electricity Consumption Threshold at any given time during the ECT Ramp Down Period.

ii. Landlord will review Tenant’s actual electricity consumption for the Premises during the ECT Ramp Down Period on a quarterly basis. Notwithstanding the Base Rent chart set forth in Section 3.A., above, if, as a result of such review, Landlord determines that Tenant’s UPS power consumption in the Premises during a calendar month under review exceeded the then-current BR Ramp Down Reference on a kWh basis over the entirety of such month, then Tenant agrees to pay additional Base Rent for such month

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

(the “ **BR Ramp Down Make Good Amount** ”) equal to the positive difference between (a) the result of \$ [\*\*\*] /kW multiplied by the BR Ramp Down Reference that would have been sufficient to include such UPS power consumption, and (b) the amount of Base Rent actually paid by Tenant attributable to the Original Premises, 2A Expansion Premises, 4A Expansion Premises, and 6A Expansion Premises-A, collectively, for such month.

iii. Any BR Ramp Down Make Good Amount shall be due and payable by Tenant no later than thirty (30) days after receiving an invoice (a “ **BR Ramp Down Make Good Invoice** ”) therefor from Landlord.

iv. For example: if (A) during December 2016, Tenant’s UPS power consumption was the kWh equivalent of 705kW, and (B) Tenant had timely paid \$ [\*\*\*] for such month as Base Rent attributable to the Original Premises, 2A Expansion Premises, 4A Expansion Premises, and 6A Expansion Premises-A, collectively, then the BR Ramp Down Make Good Amount for such month would be equal to \$ [\*\*\*] (i.e., [ \$ [\*\*\*] \* 770kW (the BR Ramp Down Reference for October 2016) ] **less** \$ [\*\*\*] ).

4. **Estoppel**. Tenant hereby (a) confirms and ratifies the Lease, as amended hereby, (b) acknowledges that, to the best of Tenant’s actual knowledge, Landlord is not in default under the Lease as of the date this Amendment is executed by Tenant, and (c) confirms that, to the best of Tenant’s actual knowledge, as of the date this Amendment is executed by Tenant, Landlord has no outstanding obligations with respect to the Tenant Space and/or under the Lease that would, with the passage of time, the giving of notice, or both, result in Landlord being in default under the Lease.

5. **Commissions**. Landlord and Tenant represent to the other that it has dealt with no broker, agent, referring party or other person in connection with this Amendment, other than Paul Adams on behalf of Tenant, and that no other broker, agent, referring party or other person brought about this Amendment. Landlord and Tenant shall indemnify and hold the other harmless from and against any and all claims, losses, costs or expenses (including reasonable attorneys’ fees and expenses) by any broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with the indemnifying party with regard to the transaction contemplated by this Amendment. The provisions of this paragraph shall survive the expiration of the Term of the Lease or any renewal or extension thereof.

6. **Confidentiality**. Each party agrees that (a) the terms and provisions of this Amendment are confidential and constitute proprietary information of the parties; and (b) as such, the terms and provisions of this Amendment are, and shall be, subject to the terms of Section 17.19 of the Original TKD Lease.

7. **Miscellaneous**.

A. In the event that the terms of the Lease conflict or are inconsistent with those of this Amendment, the terms of this Amendment shall govern. In that connection, the Lease is hereby amended as and where necessary to give effect to the express terms of this Amendment.

B. Except as amended by this Amendment, the terms of the Lease are hereby ratified by Landlord and Tenant, and shall remain in full force and effect.

C. This Amendment shall become effective only upon execution and delivery by both Landlord and Tenant.

D. This Amendment may be executed simultaneously in two or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same Amendment. Landlord and Tenant agree that the delivery of an executed copy of this Amendment by facsimile or e-mail shall be legal and binding and shall have the same full force and effect as if an original executed copy of this Amendment had been delivered.

[SIGNATURE PAGE TO FOLLOW]

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**IN WITNESS WHEREOF** , Landlord and Tenant have caused this Amendment to be executed on the respective dates set forth below, to be effective as of the 8A Effective Date.

**LANDLORD :**

**GIP WAKEFIELD, LLC ,**

a Delaware limited liability company

By: GIP Wakefield Holding Company, LLC,

its manager

By: Digital Realty Trust, L. P.,

its manager

By: Digital Realty Trust, Inc.,

its general partner

By: /s/ David Lucey

Name: David Lucey

Title: Vice President, Global  
Asset Management

Date: September 30, 2016

**TENANT :**

**CARBONITE, INC.,**

a Delaware corporation

By: /s/ Anthony Folger

Name: Anthony Folger

Title: Chief Financial Officer

Date: September 30, 2016

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**44100 DIGITAL LOUDOUN PLAZA**  
**ASHBURN, VIRGINIA**

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**DEED OF TURN KEY DATACENTER LEASE**

Between

**DIGITAL LOUDOUN PARKWAY CENTER NORTH, LLC**

a Delaware limited liability company  
as Landlord

and

**CARBONITE, INC .**, a Delaware corporation  
as Tenant

Dated

September 30, 2016

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## SCHEDULE "1"

### CERTAIN DEFINED TERMS

“ **ACM** ” shall mean and refer to asbestos, asbestos-containing materials or presumed asbestos-containing materials.

“ **Additional Rent** ” shall mean and refer to all amounts (other than Base Rent) payable by Tenant to Landlord pursuant to this Lease, whether or not denominated as such.

“ **Affiliate Transfer** ” shall mean and refer to an assignment by Tenant of this Lease to a Tenant Affiliate where (x) Tenant gives Landlord prior written notice of the name of such Tenant Affiliate, and (y) the applicable Tenant Affiliate assumes, in writing, for the benefit of Landlord, all of Tenant’s obligations under this Lease.

“ **Alterations** ” shall mean and refer to any alterations, additions, improvements or replacements to the Tenant Space, or any other portion of the Building or Property performed by or on behalf of Tenant or any other Tenant Party.

“ **Applicable Laws** ” shall mean and refer to (a) all laws, ordinances, building codes, rules, regulations, orders and directives of any governmental authority now or hereafter having jurisdiction over the Property and the Landlord Essential Services, (b) all covenants, conditions, laws and restrictions now or hereafter affecting the Property or the Services, (c) all rules, orders, laws, regulations and requirements of any applicable fire rating bureau or other organization performing a similar function for the Property, and (d) the Environmental Laws.

“ **Applicable Security Deposit Laws** ” shall mean and refer to laws, rules and regulations applicable to security deposits under commercial leases in the State in which the Property is located.

“ **Back-Up Power Specifications** ” shall mean and refer to the specific elements of back-up power that are described in Items 2 & 3 of **Exhibit “F”** , Table A.

“ **Back-Up Power Systems** ” shall mean and refer to the specific equipment used by Landlord to meet the Back-Up Power Specifications.

“ **Base Rent** ” shall mean and refer to the amounts of Base Rent set forth in Item 8 of the Basic Lease Information.

“ **Basic Lease Information** ” shall mean the information contained in Section 1 of this Lease.

“ **Building** ” shall mean and refer to the Building described in Item 15 of the Basic Lease Information.

“ **Building Systems** ” shall mean and refer to the Building and/or Property systems and equipment, including all fire/life safety, electrical, HVAC, plumbing and sprinkler, access control (including Landlord’s Access Control Systems), mechanical, and telecommunications systems and equipment.

“ **Cables** ” shall mean and refer to all fiber and/or copper cabling that is placed into the Pathway by Landlord on Tenant’s behalf, or by Tenant and/or by any other Tenant Party.

“ **Casualty-Complete** ” shall mean and refer to a Casualty Event that results in the complete destruction of the Building or the Property.

“ **Casualty Event** ” shall mean and refer to fire, explosion or any other disaster causing damage to the Property, the Building, or the Tenant Space.

“ **Casualty Repair** ” shall mean and refer to the repair and reconstruction of the damaged portion(s) of the Property, the Building and/or the Tenant Space to substantially the same condition in which they existed immediately prior to each Casualty Event.

“ **Casualty Repair Notice** ” shall mean and refer to written notice by Landlord to Tenant notifying Tenant of the Repair Period-Estimated.

“ **Chronic Outage** ” shall mean and refer to the occurrence of two (2) or more Separate/Independent Interruptions of Landlord’s Essential Services within a six (6) consecutive month period, each of which continues for eight (8) or more consecutive hours,

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regardless of whether or not such Interruption of Landlord's Essential Services was caused by Force Majeure or any other event, other than the fault of Tenant, or anyone claiming by, through or under Tenant.

“ **Chronic Outage Termination Notice** ” shall mean and refer to written notice from Tenant to Landlord, delivered within five (5) business days after the occurrence of a Chronic Outage, that Tenant thereby terminates this Lease.

“ **Claims** ” shall mean and refer to all third party claims, actions, suits and proceedings, and all losses, damages, obligations, liabilities, penalties, fines, costs and expenses arising from any such claims, actions, suits, or proceedings, including reasonable attorneys' fees, legal costs, and other costs and expenses of defending against any such claims, actions, suits, or proceedings.

“ **Colocation Activity** ” shall mean and refer to the installation, operation and maintenance by a Colocation Party of such Colocation Party's computer, switch and/or communications equipment in the Tenant Space, and the connection of such equipment with the equipment of other Colocation Parties within the Tenant Space.

“ **Colocation Agreement** ” shall mean and refer to a license agreement, by and between Tenant and a Colocation Customer, whereby Tenant provides such Colocation Customer (and its related Colocation Parties) a license for the sole purpose of engaging in Colocation Activities within the Tenant Space.

“ **Colocation Customer** ” shall mean and refer to a non-carrier customer of Tenant, who desires to engage in Colocation Activities within the Tenant Space, under and pursuant to a Colocation Agreement.

“ **Colocation Party** ” shall mean and refer to each Colocation Customer and any person claiming, directly or indirectly, by, through or under any Colocation Customer, together with the officers, agents, servants and employees of each Colocation Customer.

“ **Commencement Date Conditions** ” shall mean and refer to the occurrence of the following:

(a) Landlord has performed the Commissioning of the Premises, which condition shall be deemed to have been satisfied upon Landlord's receipt of the Commissioning Complete Letter;

(b) Landlord has completed Landlord's Installations; and

(c) Landlord has delivered the Tenant Space to Tenant by virtue of having provided the Commencement Date Notice to Tenant.

“ **Commencement Date Notice** ” shall mean and refer to a notice from Landlord to Tenant, substantially in the form attached hereto as **Exhibit “H”** , which shall (a) memorialize Landlord's delivery of the Tenant Space to Tenant, and (b) confirm the actual Commencement Date.

“ **Commissioning** ” shall mean and refer to the act of causing the commissioning/turn up of the Premises' infrastructure pursuant to the Commissioning Criteria, so that such infrastructure has passed Level 5 of such Commissioning Criteria, as described in **Exhibit “E-1”** .

“ **Commissioning Agent** ” shall mean and refer to the third party engineering firm that performs the Commissioning.

“ **Commissioning Complete Letter** ” shall mean and refer to a letter from the Commissioning Agent, evidencing successful Commissioning of the Premises, substantially in the form attached hereto as **Attachment “I”** to **Exhibit “H”**.

“ **Commissioning Criteria** ” shall mean and refer to the commissioning criteria set forth on **Exhibit “E-1”** .

“ **Common Area** ” shall mean and refer to that part of the Property lying outside the Premises designated by Landlord from time to time for the common use of all tenants of the Datacenter or the Building, as applicable, including among other facilities, the sidewalks, service corridors, curbs, truck ways, loading areas, private streets and alleys, lighting facilities, halls, lobbies, delivery passages, elevators, drinking fountains, meeting rooms, public toilets, parking areas and garages, decks and other parking facilities, landscaping and other common rooms and common facilities.

“ **Consequential Damages** ” shall mean and refer to consequential damages, incidental damages, indirect damages, or special damages, or for loss of profit, loss of business opportunity or loss of income.

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“ **Continuous Outage** ” shall mean and refer to an Interruption of Landlord’s Essential Services that continues for twenty (20) consecutive days, regardless of whether or not such Interruption of Landlord’s Essential Services was caused by Force Majeure, other than the fault of Tenant, or anyone claiming by, through or under Tenant.

“ **Continuous Outage Termination Notice** ” shall mean and refer to written notice from Tenant to Landlord, delivered within five (5) business days after the occurrence of a Continuous Outage, that Tenant thereby terminates this Lease.

“ **Control** ”, as used in the definition of Tenant Affiliate, shall mean and refer to the right to exercise, directly or indirectly, fifty percent (50%) or more of the voting rights attributable to the controlled entity and/or the power to elect a majority of the controlled entity’s board of directors.

“ **Datacenter** ” shall mean and refer to the Datacenter described in Item 19 of the Basic Lease Information.

“ **Datacenter Rules and Regulations** ” shall mean and refer to Landlord’s written rules and regulations for the Datacenter, as same may be amended from time to time in accordance with Section 6.2 of the Lease and that are provided, or made available to, Tenant. The current version of the Datacenter Rules and Regulations is available on the Internet at the following URL:

<http://www.digitalrealty.com/leasing/>

“ **Datacenter Utility** ” shall mean and refer to a utility type for which usage is billed on a “datacenter-by-datacenter” basis.

“ **Datacenter Utility Costs** ” shall mean and refer to the actual Datacenter Utility costs for the entirety of the Datacenter (i.e., based on the metering equipment that measures electrical and mechanical power [UPS, HVAC and other mechanical power] being used by the Datacenter), as set forth on the applicable Datacenter Utility bill(s) for the Datacenter (each such Datacenter Utility bill, a “ **Datacenter Utility Bill** ”) for the billing period covered by such Datacenter Utility Bill(s).

“ **Default Rate** ” shall mean and refer to an interest rate equal to the lesser of (a) c per month or (b) the maximum lawful rate of interest.

“ **Delinquency Date** ” shall mean and refer to the date that is five (5) days after the date on which any particular payment of Rent is due from Tenant to Landlord.

“ **Digital** ” shall mean and refer to Digital Realty Trust, L.P., a Maryland limited partnership.

“ **Early Access** ” shall mean and refer to Tenant’s ability, subject to the terms of Section 2.2.3, to enter the Premises, prior to the Commencement Date, for the purposes of inspecting same and for performing Tenant Work.

“ **Early Access Date** ” shall mean and refer to the date upon which Landlord provides Tenant the Early Access Notice. Landlord agrees to use commercially reasonable efforts to cause the Early Access Date to occur on or about November 1, 2016.

“ **Early Access Notice** ” shall mean and refer to the notice from Landlord to Tenant notifying Tenant that Landlord has advanced the Commencement Date Conditions sufficiently to allow Tenant to engage in certain activities of Tenant Work prior to the Commencement Date.

“ **Early Access Period** ” shall mean and refer to the period between the Early Access Date and the Commencement Date.

“ **ECT Default Notice** ” shall mean and refer to written notice from Landlord.

“ **ECT Overage** ” shall mean and refer to a situation in which the electricity consumption in the Premises exceeds the Electricity Consumption Threshold.

“ **Electricity Consumption Threshold** ” shall mean and refer to the amount of electrical power specified in Item 1 of **Exhibit “F”**, Table A.

“ **Electricity Specifications** ” shall mean and refer, collectively, to the Electricity Consumption Threshold and the Back-Up Power Specifications.

“ **Environmental Laws** ” shall mean and refer to all now and hereafter existing Applicable Laws regulating, relating to, or imposing liability or standards of conduct concerning public health and safety or the environment.

“ **Event of Default by Tenant** ” shall mean and refer to the occurrence of any of the Events of Default by Tenant described in Sections 15.1.1-15.1.5, inclusive.

“ **Excess Rent** ” shall mean and refer to any consideration in excess of the sum of (a) the pro-rata portion of Rent applicable to the

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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portion of the Tenant Space subject to the assignment or sublease, less (b) the reasonable leasing costs (i.e., tenant improvement allowances, attorneys' fees, architectural fees, and broker commissions) actually incurred by Tenant in connection with such sublease or assignment.

“ **Extension Option** ” shall mean and refer to Tenant’s option to extend the Term of the Lease, the number and duration of which is as set forth in Item 6 of the Basic Lease Information, and the terms for which are as set forth in Section 2.3 of the Standard Lease Provisions.

“ **Extension Option Exercise Notice** ” shall mean and refer to written notice from Tenant to Landlord specifying that Tenant is irrevocably exercising an Extension Option so as to extend the Term of this Lease by the applicable Extension Term on the terms set forth in Section 2.3 of the Standard Lease Provisions.

“ **Extension Option Interest Notice** ” shall mean and refer to written notice from Tenant to Landlord specifying that Tenant is interested in exercising an Extension Option pursuant to Section 2.3 of the Standard Lease Provisions.

“ **Extension Option Landlord’s Notice** ” shall mean and refer to written notice from Landlord to Tenant specifying the Extension Term Base Rent for the applicable Extension Term.

“ **Extension Term** ” shall mean and refer to the duration of each duly exercised Extension Option, as set forth in Item 6 of the Basic Lease Information.

“ **Extension Term Base Rent** ” shall mean and refer to the monthly Base Rent payable with respect to the Tenant Space during an Extension Term.

“ **Financial Statements** ” shall mean and refer to audited annual financial statements of the indicated entity, certified by the entity’s chief financial officer, including (i) a balance sheet, and (ii) a profit and loss statement (income statement), all prepared in accordance with generally accepted accounting principles consistently applied.

“ **First Interruption** ” shall mean and refer to the first (1st) Separate/Independent Interruption of Landlord’s Essential Services occurring in any period of twelve (12) consecutive months.

“ **Force Majeure** ” shall mean and refer to any cause or reason beyond the reasonable control of the party obligated to perform hereunder, including strike (subject to the next following sentence), labor trouble (subject to the next following sentence), governmental rule, regulations, ordinance, statute or interpretation, or fire, earthquake, civil commotion, or failure or disruption of a utility’s services. Notwithstanding the foregoing, strikes or labor disputes which are directed at Landlord or its contractors (as opposed to strikes or labor disputes of regional or national nature) shall not be considered to be Force Majeure.

“ **Four-Plus Interruption** ” shall mean and refer to the fourth (4th), and any subsequent, Separate/Independent Interruption of Landlord’s Essential Services occurring in any then-current Interruption Accrual Period.

“ **Generator Fuel Usage** ” shall mean and refer to all fuel used by the element(s) of the Back-Up Power Systems described in Item 3 of **Exhibit “F”**, Table A.

“ **Generator Fuel Payment** ” shall mean and refer to the actual cost of all Generator Fuel Usage that is not Maintenance Fuel Usage.

“ **Handle** ,” “ **Handled** ,” or “ **Handling** ” shall mean and refer to any installation, handling, generation, storage, treatment, use, disposal, discharge, release, manufacture, refinement, presence, migration, emission, abatement, removal, transportation, or any other activity of any type in connection with or involving Hazardous Materials.

“ **Hazardous Materials** ” shall mean and refer to: (1) any material or substance: (i) which is defined or becomes defined as a “hazardous substance,” “hazardous waste,” “infectious waste,” “chemical mixture or substance,” or “air pollutant” under Environmental Laws; (ii) containing petroleum, crude oil or any fraction thereof; (iii) containing PCBs; (iv) containing ACM; (v) which is radioactive; (vi) which is infectious; or (2) any other material or substance displaying toxic, reactive, ignitable, explosive or corrosive characteristics, and is defined, or becomes defined by any Environmental Law.

“ **Holder** ” shall mean and refer to any mortgagee or beneficiary with a mortgage or deed of trust encumbering the Property or any portion thereof, or any lessor of a ground or underlying lease with respect to the Property or any portion thereof.

“ **HVAC** ” shall mean and refer to heating, ventilation and air conditioning.

“ **HVAC Specifications** ” shall mean and refer to the specifications set forth in Item 4(a) and (b) of **Exhibit “F”**, Table A.

“ **Installation Fee** ” shall mean and refer to the Installation Fee set forth in Item 9 of the Basic Lease Information, subject to the

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terms of Section 3.2 of the Standard Lease Provisions.

“ **Interruption Accrual Period** ” shall mean and refer to the period of twelve (12) consecutive months occurring from and after each First Interruption.

“ **Interruption Cure Completion Notice** ” shall mean and refer to written notice from Landlord that a particular Interruption of Landlord’s Essential Services has been rectified.

“ **Interruption - Electrical** ” shall mean and refer to the occurrence of a partial or complete interruption of electricity to the PDUs supplying electrical power to Tenant’s Personal Property within the Premises; provided that such occurrence is not caused by any act or omission of Tenant or any other Tenant Party, nor by a Casualty Event, nor by, or during, an ECT Overage. The foregoing notwithstanding, if (a) Tenant fails to take advantage of the redundant electrical design of the Premises (e.g. Tenant “single-cords” its equipment in a scenario where “dual-cording” of Tenant’s equipment is available), (b) there occurs an interruption of electricity to one (1) or more PDUs from which Tenant draws electricity to power Tenant’s Personal Property, (c) such interruption results in a power outage in one (1) or more items of Tenant’s Personal Property, and (d) such power outage could have been avoided if Tenant had taken proper advantage of the electrical redundancies in the Premises, then such interruption will be deemed *not to have been* an Interruption - Electrical.

“ **Interruption - Electrical Duration Threshold** ” shall mean and refer to an aggregate of six (6) minutes in any rolling twelve (12) month period.

“ **Interruption - Humidity** ” shall mean and refer to the occurrence of the average *relative humidity* of the Premises measured below the raised floor of the Premises being outside of the Target Humidity Range for a period of ninety (90), or more, consecutive minutes; provided that such occurrence is not caused by any act or omission of Tenant or any other Tenant Party, nor by a Casualty Event, nor by, or during, an ECT Overage. For the avoidance of doubt, the duration of each Interruption - Humidity shall commence from and after the expiration of the ninetieth (90th) consecutive minute of the average *relative humidity* of the Premises being outside of such Target Humidity Range.

“ **Interruption of Landlord’s Essential Services** ” shall mean and refer to (a) an Interruption - Electrical; (b) an Interruption - Temperature, or (c) an Interruption - Humidity.

“ **Interruption - Temperature** ” shall mean and refer to the occurrence of the average *temperature* of the Premises measured below the raised floor of the Premises being outside of the Target Temperature Range for a period of ninety (90), or more, consecutive minutes; provided that such occurrence is not caused by any act or omission of Tenant or any other Tenant Party, nor by a Casualty Event, nor by, or during, an ECT Overage. For the avoidance of doubt, the duration of each Interruption - Temperature shall commence from and after the expiration of the ninetieth (90th) consecutive minute of the average *temperature* of the Premises being outside of the Target Temperature Range.

“ **Land** ” shall mean and refer to the Land described in Item 14 of the Basic Lease Information.

“ **Landlord** ” shall mean and refer to the Landlord set forth in Item 1 of the Basic Lease Information.

“ **Landlord Default** ” shall mean and refer to the occurrence of a Landlord Default, as described in Section 16.1.1.

“ **Landlord Group** ” shall mean and refer to Landlord and its directors, officers, shareholders, members, employees, constituent partners, affiliates, beneficiaries and trustees.

“ **Landlord’s Access Control Systems** ” shall mean and refer to the following: (i) a check-in desk at the Building’s main entrance monitored by Landlord twenty-four (24) hours per day, seven (7) days per week, fifty-two (52) weeks per year, (ii) an electronic “key card” system to control access to the Datacenter, and (iii) a video surveillance system in the Datacenter.

“ **Landlord’s Essential Services** ” shall mean and refer to Landlord’s obligations to meet the Electricity Specifications and the HVAC Specifications.

“ **Landlord’s Installations** ” shall mean and refer to the installations defined as such, as set forth on **Exhibit “E”**, attached hereto.

“ **Landlord’s Lease Undertakings** ” shall mean and refer to each representation, warranty, covenant, undertaking, and agreement contained in any of the Lease Documents that is to be provided or performed by Landlord.

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“ **Landlord’s Liability Cap** ” shall mean and refer to an aggregate amount of Landlord’s interest in the Property not to exceed \$5,000,000.00.

“ **Late Charge** ” shall mean and refer to a sum equal to [\*\*\*] of the amount of a particular Late Payment.

“ **Late Payment** ” shall mean and refer to any payment of Rent that Landlord has not received from Tenant prior to the Delinquency Date.

“ **Late Payment Interest** ” shall mean and refer to interest on a particular Late Payment at the Default Rate.

“ **Lease Documents** ” shall mean and refer to this Lease and all schedules, exhibits, riders, amendments, and addenda to this Lease.

“ **Maintenance Fuel Usage** ” shall mean and refer to Generator Fuel Usage that is used for the performance of Landlord’s maintenance obligations hereunder.

“ **Master Lease** ” shall mean and refer to an agreement between Landlord and a Third Party Tenant regarding the operation and control of the Premises.

“ **Maximum Structural Load** ” shall mean and refer to the Maximum Structural Load set forth in Item 19 of the Basic Lease Information.

“ **Metering Equipment - Tenant Space** ” shall mean and refer to a metering device (or metering devices) for monitoring the utilities serving, provided to and/or used in the Tenant Space.

“ **MMR Services** ” shall mean and refer to the services typically provided by companies in the primary business of providing carrier-neutral interconnections, such as Equinix, CoreSite, and Telehouse, including without limitation, furnishing of space, racks and pathway to telecommunications carriers for the purpose of such carriers’ placement and maintenance of computer, switch and/or communications equipment and cross-connections by such carriers with the communications cable and facilities of other parties in the Building.

“ **Noticed Holder** ” shall mean and refer to a Holder for which Tenant has been notified in writing of the address of such Holder prior to the time that Tenant is required to give a Holder the notice in question.

“ **Other PDU kW-hr** ” shall mean and refer to the number of kilowatt-hours on the PDU(s) serving all portions of the Datacenter other than the Tenant Space during the same billing period as the applicable Datacenter Utility Bill for the Datacenter.

“ **Outage Credit** ” means the quotient achieved by dividing the Base Rent for the month in which the Interruption of Landlord’s Essential Services occurred by 60.

“ **Outside Completion Date** ” shall mean and refer to the Outside Completion Date set forth in Item 4 of the Basic Lease Information.

“ **Partial Month** ” shall, in the event of a Commencement Date that occurs on a date that is other than the first (1st) day of a calendar month, mean and refer to the number of calendar days (including the Commencement Date) remaining in the month in which the Commencement Date occurs.

“ **Pathway** ” shall mean and refer to the Pathway described in Item 7 of the Basic Lease Information.

“ **PCBs** ” shall mean and refer to polychlorinated biphenyls.

“ **PDU**s ” shall mean and refer to power distribution units.

“ **Periods of Premises Operation** ” shall mean and refer to those periods of equipment operation within the Premises (i.e., periods during electrical power is being drawn by Tenant’s Personal Property).

“ **Periods of Premises Underutilization** ” shall mean and refer to those periods during which none of Tenant’s Personal Property is operating in the Premises (i.e., periods during which there is no electrical power being drawn by Tenant’s Personal

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Property).

“ **Permitted Transfer** ” shall mean and refer to:

- (x) the public offering of shares of Tenant on a public exchange or issuance of additional shares of the Tenant entity; and
- (y) any of the following: (i) the transfer of a majority interest of the outstanding shares of stock of Tenant, (ii) the merger of Tenant with another entity or entities, and (iii) the sale of all or substantially all of Tenant’s assets, and/or (iv) Affiliate Transfers; provided that, in any event described under this clause (y), (a) the action is taken pursuant to a bona fide business transaction and not principally or exclusively as a means to evade the consent requirements under this Lease, and (b) the “Tenant” under this Lease after such transaction has the same or better financial strength as that which Tenant had, immediately prior to such transaction, as evidenced in a manner reasonably acceptable to Landlord.

“ **Permitted Use** ” shall mean and refer to the placement, installation, operation, repair and maintenance of computer, switch and/or communications equipment and connections of such equipment (subject to the terms of Section 1.3 of the Standard Lease Provisions), via telecommunications cables, with the facilities and/or equipment of other tenants in the Datacenter or the Building.

“ **PM Activity** ” shall mean and refer to each of the preventative maintenance activities contained on Landlord’s then-current PM Standards.

“ **PM Audit** ” shall mean and refer to Tenant’s inspection of the PM Books and Records.

“ **PM Audit Notice** ” shall mean and refer to written notice of Tenant’s intent to perform a PM Audit.

“ **PM Books and Records** ” shall mean and refer to the books and records used by Landlord for documenting performance of the PM Activities.

“ **PM Change** ” shall mean and refer to a change to the PM Schedule requested by Tenant.

“ **PM Change Cost Estimate** ” shall mean and refer to written notice from Landlord to Tenant of the estimated incremental costs related to the PM Change.

“ **PM Change Request** ” shall mean and refer to written notice from Tenant to Landlord of Tenant’s requested PM Change.

“ **PM Schedule** ” shall mean and refer to Landlord’s then-current schedule for the performance of the PM Activities.

“ **PM Standards** ” shall mean and refer to the activities of preventative maintenance that Landlord performs with regard to the equipment that serves the Premises. Landlord’s current list of PM Standards is available on the Internet at the following URL:

<http://www.digitalrealty.com/leasing/>

“ **POP Room** ” shall mean and refer to the POP Room described in Item 16 of the Basic Lease Information.

“ **Premises** ” shall mean and refer to the Premises described in Item 7 of the Basic Lease Information.

“ **Premises PDU kW-hr** ” shall mean and refer to the number of kilowatt-hours on the PDU’s serving the Premises during the same billing period as the applicable Datacenter Utility Bill for the Datacenter.

“ **Projected Real Property Tax Installment** ” shall mean and refer to an amount equal to [\*\*\*] of the product of (i) the positive difference (if any) obtained by subtracting the Taxes - Real Property (Actual) applicable to the Tax Base Year from the Taxes - Real Property (Projected) for the applicable calendar year, multiplied by (ii) Tenant’s Proportionate Share.

“ **Property** ” shall mean and refer to the Land, the Building, the improvements on the Land and in the Building, and Landlord’s personal property thereon or therein.

“ **Rent** ” shall mean and refer to all Base Rent, plus all Additional Rent.

“ **Repair Period-Actual** ” shall mean and refer to the period of time that it actually takes to repair and/or restore the Building following a Casualty Event in order to enable Tenant’s use of the Tenant Space in the ordinary conduct of Tenant’s business.

“ **Repair Period-Estimated** ” shall mean and refer to the period of time, which Landlord estimates will be required for the

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repair and/or restoration of the Building following a Casualty Event in order to enable Tenant's use of the Tenant Space in the ordinary conduct of Tenant's business.

“ **Second Interruption** ” shall mean and refer to the second (2nd) Separate/Independent Interruption of Landlord's Essential Services occurring in any then-current Interruption Accrual Period.

“ **Security Documents** ” shall mean and refer to the following: (i) all ground leases or underlying leases; (ii) the lien of any mortgage, deed, or deed of trust; (iii) all past and future advances made under any such mortgages, deeds, or deeds of trust; and (iv) all renewals, modifications, replacements and extensions of any such ground leases, master leases, mortgages, deeds, and deeds of trust.

“ **Separate/Independent Interruption of Landlord's Essential Services** ”, and similar phrases used herein, shall mean and refer to (a) Interruptions of Landlord's Essential Services that occur from separate and unrelated root causes; or (b) a further occurrence of a particular Interruption of Landlord's Essential Services that occurs after Landlord has provided Tenant the Interruption Cure Completion Notice with regard to the immediately preceding occurrence of such Interruption of Landlord's Essential Services.

“ **Shared Infrastructure Costs** ” shall mean and refer to the utility costs related to all items of mechanical and electrical equipment that serve the Datacenter, but which are commercially impractical of being separately metered to the Premises, due to the fact that such items (and/or the utility meters monitoring same) are designed to serve (and/or monitor) more areas of the Datacenter and/or Building than just the Premises. Shared Infrastructure Costs shall also include all costs related to the delivery of each utility as well as the relevant “unit consumption costs”, including recurring network charges, subscription charges or one-off maintenance charges imposed by the utility provider. For the avoidance of doubt, and for the purposes of illustration, but not limitation, the Shared Infrastructure Costs include the utility costs related to shared electrical system equipment and shared HVAC system equipment, as well as the costs related to the electrical power dissipation that occurs between a utility's power meters that monitor power consumption at the Datacenter level or the Building level and those meters that monitor power consumption at the Premises level, such dissipation being inherent to the total amount of electrical power required to operate the Datacenter.

“ **Shared Mechanical Equipment** ” shall mean certain equipment within the Tenant Space, and/or equipment located outside the Tenant Space but serving the Tenant Space, including certain cooling equipment, that is commercially impractical of being separately metered to the Tenant Space, because it utilizes equipment and/or facilities designed to serve more area of the Datacenter and/or the Building than just the Tenant Space.

“ **Shared Mechanical Metering Equipment** ” shall mean and refer to metering equipment that separately meters utilities provided specifically to the Datacenter by the Shared Mechanical Equipment.

“ **SNDA** ” shall mean and refer to a subordination, non-disturbance and attornment agreement in a form that is reasonably acceptable to Tenant, which provides that, so long as there is no Event of Default by Tenant, Tenant may remain in possession of the Tenant Space under the terms of this Lease, even if the Holder should acquire Landlord's title to the Building.

“ **Taking** ” shall mean and refer to the Property, or some portion thereof, having been taken under the power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or sold to prevent the exercise thereof.

“ **Target Commencement Date** ” shall mean and refer to the Target Commencement Date set forth in Item 4 of the Basic Lease Information.

“ **Target Humidity Range** ” shall mean and refer to the range of relative humidity percentages described in Item 4(b) of **Exhibit “F”**, Table A.

“ **Target Temperature Range** ” shall mean and refer to the range of temperatures described in Item 4(a) of **Exhibit “F”**, Table A.

“ **Tax Base Year** ” shall mean and refer to calendar year 2016.

“ **Taxes - Equipment** ” shall mean and refer to all governmental fees, taxes, tariffs and other charges levied directly or indirectly against any personal property, fixtures, machinery, equipment, apparatus, systems, connections, interconnections and appurtenances located in, or used by Tenant in or in connection with, the Tenant Space.

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“ **Taxes - Other** ” shall mean any excise, sales, privilege or other tax, assessment or other charge (other than income taxes) imposed, assessed or levied by any governmental or quasi governmental authority or agency upon Landlord on account of (i) the Rent (and other amounts) payable by Tenant hereunder (or any other benefit received by Landlord hereunder), including any gross receipts tax, license fee or excise tax levied by any governmental authority, (ii) this Lease, Landlord’s business as a lessor hereunder, and/or the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of any portion of the Tenant Space (including any applicable possessory interest taxes), (iii) this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Tenant Space, or (iv) otherwise in respect of or as a result of the agreement or relationship of Landlord and Tenant hereunder.

“ **Taxes - Real Property** ” shall mean and refer to all taxes, assessments and governmental charges (foreseen or unforeseen, general or special, ordinary or extraordinary) whether federal, state, county or municipal and whether levied by taxing districts or authorities presently taxing the Property or by others subsequently created or otherwise, and any other taxes and assessments attributable to the Property or its operation, and all taxes of whatsoever nature that are imposed in substitution for or in lieu of any of the taxes, assessments or other charges herein defined; provided, however, Taxes - Real Property shall not include taxes paid by tenants of the Property as a separate charge on the value of their leasehold improvements, death taxes, excess profits taxes, franchise taxes and state and federal income taxes, except to the extent imposed in substitution for or in lieu of all or any portion of Taxes - Real Property, and shall not include any Taxes - Other.

“ **Taxes - Real Property (Actual)** ” shall mean and refer, with respect to each calendar year during the Term of the Lease, to the actual Taxes - Real Property for such year.

“ **Taxes - Real Property (Projected )** ” shall mean and refer, with respect to each calendar year during the Term of the Lease, to Landlord’s reasonable projection of Taxes - Real Property for such year.

“ **Tenant** ” shall mean and refer to the Tenant set forth in Item 2 of the Basic Lease Information.

“ **Tenant Affiliate** ” shall mean and refer to any partnership, limited liability company, or corporation or other entity, which, directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, Tenant.

“ **Tenant Delay** ” shall mean and refer to a delay in Landlord’s completion of the Commencement Date Conditions, which is attributable to or caused by Tenant’s Early Access or by any change order by Tenant. There shall be no Tenant Delay to the extent of any concurrent delay not directly resulting from a delay caused by Tenant. In all instances where Landlord claims a Tenant Delay, Landlord must give Tenant written notice of such alleged Tenant Delay within three (3) days of its alleged first occurrence or else such alleged Tenant Delay shall be deemed to have been waived by Landlord.

“ **Tenant Group** ” shall mean and refer to Tenant and its directors, officers, shareholders, members, employees, constituent partners, and Tenant Affiliates.

“ **Tenant Parties** ” shall mean and refer, collectively to Tenant, the other members of the Tenant Group, Tenant’s Transferees, and their respective contractors, clients, servants, representatives, licensees, Colocation Parties, agents, and invitees.

“ **Tenant Space** ” shall mean and refer to the Premises together with the Pathway.

“ **Tenant Space Customer** ” shall mean and refer to each customer or other person or entity to which Tenant, any Tenant Affiliate, any other Tenant Party, or any Transferee, provides goods or services, which are in any way related to or associated with the use of the Tenant Space, including those customers, persons or entities now or hereafter conducting transactions or other operations by or through or in connection with equipment located within the Tenant Space.

“ **Tenant Work** ” shall mean and refer to all Tenant installations in the Premises, other than the completion of the Commencement Date Conditions, including the installation of Tenant’s Personal Property.

“ **Tenant’s Datacenter Utility Payment** ” shall mean and refer to Tenant’s pro rata portion of the applicable Datacenter Utility Costs, during the same billing period as the applicable Datacenter Utility Bill for the Datacenter, being allocated to the Premises based on the amount of the Premises PDU kW-hr during such billing period, as compared to the Total Datacenter PDU kW-hr during the same billing period.

“ **Tenant’s Personal Property** ” shall mean and refer, collectively, to all cable, wiring, connecting lines, and other installations, equipment or property installed or placed by, for, through, under or on behalf of Tenant or any Tenant Party anywhere in the Building, the Datacenter, and/or the Tenant Space, not including any equipment or property owned, leased or licensed by

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Landlord or any other member of the Landlord Group. Additionally, for the purposes of clarity, the parties acknowledge that “Tenant’s Personal Property” includes all equipment or property, other than equipment or property owned, leased or licensed by Landlord or any other member of the Landlord Group, installed and/or placed anywhere in the Building, the Datacenter, and/or the Tenant Space by any party specifically and solely in order to provide any service to Tenant or any Tenant Party (e.g., data storage/archiving and data recovery type equipment that is utilized by or for Tenant or any Tenant Party in the Tenant Space, but which is actually owned by a third party, other than Landlord or any other member of the Landlord Group).

“ **Tenant’s Proportionate Share** ” shall mean and refer to the Tenant’s Proportionate Share described in Item 16 of the Basic Lease Information. Landlord and Tenant acknowledge that Tenant’s Proportionate Share is a “deemed” share, which has been calculated by taking into consideration the rentable square feet of all space that is included collectively in and/or serving the Premises .

“ **Tenant’s Proportionate Share of Taxes - Real Property (Actual)** ” shall mean and refer, with respect to each calendar year during the Term of this Lease, to an amount equal to the product of (i) the positive difference (if any) obtained by subtracting the Taxes - Real Property (Actual) applicable to the Tax Base Year from the Taxes - Real Property (Actual) applicable to such calendar year, multiplied by (ii) Tenant’s Proportionate Share, as described in Item 16 of the Basic Lease Information.

“ **Tenant’s Separately Metered Utility Payment** ” shall mean the actual cost of all utilities, if any, that serve, are provided to and/or are used in, or for, the Tenant Space, for which the costs that are applicable to the Tenant Space are wholly and separately metered to the Tenant Space.

“ **Tenant’s Shared Mechanical Payment** ” shall mean Tenant’s Datacenter Utility Payment.

“ **Tenant’s Utility Payment** ” shall mean and refer to the Tenant’s Utility Payment (Default) (subject to the terms of Sections 3.5.2.3 and 3.5.2.4 of the Standard Lease Provisions), during the Utility Default Period.

“ **Tenant’s Utility Payment (Default)** ” shall mean and refer to each Tenant’s Shared Mechanical Payment and each Tenant’s Separately Metered Utility Payment.

“ **Term** ”; “ **Term of this Lease** ”; and “ **Term of the Lease** ” shall mean and refer to the period described in Item 5 of the Basic Lease Information, subject to the terms of such Item 5.

“ **Third Interruption** ” shall mean and refer to the third (3rd) Separate/Independent Interruption of Landlord’s Essential Services occurring in any then-current Interruption Accrual Period.

“ **Third Party Tenant** ” shall mean and refer to an entity, who is not an affiliate of Landlord, with whom Landlord may hereafter contract for the operation and control of the Premises.

“ **Total Datacenter PDU kW-hr** ” shall mean and refer to the number of kilowatt-hours on the PDU(s) serving the Datacenter during the same billing period as the applicable Datacenter Utility Bill for the Datacenter, being represented by the sum of the Premises PDUs kW-hr plus the Other PDUs kW-hr.

“ **Transfer** ” shall mean and refer to (a) a sublease of all or any part of the Tenant Space, (b) an assignment of this Lease, and/or (c) any other agreement (i) permitting a third party (other than Tenant’s employees and occasional guests) to occupy or use any portion of the Tenant Space, or (ii) otherwise assigning, transferring, licensing, mortgaging, pledging, hypothecating, encumbering, or permitting a lien to attach to its interest under, this Lease.

“ **Transferee** ” shall mean and refer to any person or entity to whom a Transfer is made or sought to be made.

“ **Transfer Notice** ” shall mean and refer to a written request for Landlord’s consent to a particular Transfer, which notice shall include: (a) the name and address of the proposed Transferee; (b) all of the principal terms of the proposed Transfer; (c) current, certified financial statements of the proposed Transferee, and any other information and materials reasonably required by Landlord to enable Landlord to adequately review the financial responsibility of the proposed Transferee; (d) such other information and materials as Landlord may reasonably request (and if Landlord requests such additional information or materials, the Transfer Notice shall not be deemed to have been received until Landlord receives such additional information or materials); and (e) the form of the proposed assignment or other Transfer documentation that will be executed by Tenant and the proposed Transferee.

“ **UPS Plant** ” shall mean and refer to an uninterruptable power supply plant.

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“ **UPS Room** ” shall mean and refer to that certain UPS room which serves (but is located outside of) the Datacenter.

“ **Utility Default Period** ” shall mean and refer to the Term of the Lease.

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**44100 DIGITAL LOUDOUN PLAZA  
ASHBURN, VIRGINIA**

**DEED OF TURN KEY DATACENTER LEASE**

This Deed of Turn Key Datacenter Lease (this “ Lease ”) is entered into as of the Effective Date specified in Item 4 of the Basic Lease Information, by and between Landlord (as set forth in Item 1 of the Basic Lease Information, below) and Tenant (as set forth in Item 2 of the Basic Lease Information, below):

**RECITALS**

- A. Landlord is the owner of the Land (as set forth in Item 14 of the Basic Lease Information, below). The Land is improved with, among other things, the Building (as set forth in Item 15 of the Basic Lease Information, below).
- B. Tenant desires to lease (i) space in the Datacenter, and (ii) certain Pathway between the Datacenter and the respective POP Rooms.
- C. Unless otherwise specifically indicated to the contrary, all initially capitalized terms contained in this Lease shall have the meanings set forth on **Schedule “1”** , attached to this Lease.

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, Landlord and Tenant agree as follows:

**BASIC LEASE INFORMATION**

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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1. <u>Landlord</u> :	Digital Loudoun Parkway Center North, LLC, a Delaware limited liability company
2. <u>Tenant</u> :	Carbonite, Inc., a Delaware corporation
3. <u>Tenant Addresses</u> :	<p><u>Tenant Address for Notices</u> :</p> <p>Carbonite, Inc.  2 Avenue de Lafayette  Boston, MA 02111  Attn: Contracts  Phone No: (617) 587-1100  E-mail: <a href="mailto:contracts@carbonite.com">contracts@carbonite.com</a></p> <p><u>Tenant Address for Invoice of Rent</u> :</p> <p>Carbonite, Inc.  2 Avenue de Lafayette  Boston, MA 02111  Attn: Accounts Payable  Phone No: (617) 587-1100  E-mail: <a href="mailto:ap@carbonite.com">ap@carbonite.com</a></p>
4. <u>Effective Date / Commencement Date</u> :	
(a) <u>Effective Date</u> :	September 30, 2016 *(being the latest of the parties' respective dates of execution of this Lease, as set forth on the signature page of this Lease, the " <b>Effective Date</b> ").
(b) <u>Target Commencement Date</u> :	December 1, 2016.
(c) <u>Early Delivery Date</u> :	Not applicable.
(d) <u>Outside Liquidated Damages Date</u> :	January 1, 2017.
(e) <u>Outside Completion Date</u> :	January 31, 2017.
(f) <u>Commencement Date</u> :	<p>The "<b>Commencement Date</b> " shall mean the earlier of:</p> <p>(x) the date upon which Landlord has completed the Commencement Date Conditions; or</p> <p>(y) the date Tenant commences to use the Premises for the Permitted Use.</p>
5. <u>Term</u> :	The " <b>Initial Term</b> " shall mean and refer to approximately sixty (60) full calendar months (i.e., commencing on the Commencement Date and expiring on the last day of the sixtieth (60 <sup>th</sup> ) full calendar month thereafter), unless terminated or extended, as set forth in the Lease.
6. <u>Number of Tenant Extension Options</u> :	<p>First Extension Term: Three (3) years (months 61-96)  Second Extension Term: Three (3) years (months 97-132)</p> <p>The Extension Options are subject to the terms of Section 2.3, below.</p>
7. <u>Premises/Pathway</u> :	
(a) <u>Premises</u> :	The Premises contains approximately 1,889 square feet of caged area (2,523 rentable square feet), as set forth on <b>Exhibit "A"</b> and located within the Datacenter [***].
(b) <u>Pathway</u> :	As described in <b>Exhibit "C"</b> .

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8. <u>Base Rent</u> :	<p><i>Initial Term</i> :</p> <p>[***] per month for the period commencing on the Commencement Date and expiring on the last day of the first (1<sup>st</sup>) full calendar month of the Term of the Lease. [for the purposes of Item 21, below, the BR Ramp Reference is 100kW]</p> <p>[***] per month for month 2 of the Term. [for the purposes of Item 21, below, the BR Ramp Reference is 200kW]</p> <p>[***] per month for month 3 of the Term. [for the purposes of Item 21, below, the BR Ramp Reference is 300kW]</p> <p>[***] per month for month 4 of the Term. [for the purposes of Item 21, below, the BR Ramp Reference is 400kW]</p> <p>[***] per month for months 5-12 of the Term.</p> <p>[***] per month for months 13-24 of the Term.</p> <p>[***] per month for months 25-36 of the Term.</p> <p>[***] per month for months 37-48 of the Term.</p> <p>[***] per month for months 49-60 of the Term.</p>	
9. <u>Installation Fee</u> :	<p>An amount equal to the costs incurred by Landlord for the procurement, installation and performance of the installation of the Premises Cage and Cage Bio (each, as defined on Exhibit E), plus [***] (collectively, the “<b>Installation Fee</b>”), payable by Tenant to Landlord per Section 3.2 of the Standard Lease Provisions, below.</p>	
10. <u>Prepaid Rent</u> :	None.	
11. <u>Landlord’s Address for Notices</u> :	<p>Digital Loudoun Parkway Center North, LLC c/o Digital Realty Trust, L.P. 43940 Digital Loudoun Plaza, Suite 203 Ashburn, VA 20147-6973 Attention: Property Manager Facsimile No. (703) 964-4773 E-mail: <a href="mailto:leaseadministration@digitalrealty.com">leaseadministration@digitalrealty.com</a></p>	<p>With copies to:</p> <p>Digital Realty Trust, L.P. 451 D Street, Suite 912 Boston, MA 02210 Attention: Asset Manager Facsimile No. (857) 366-9998</p> <p>And:</p> <p>Stutzman, Bromberg, Esserman &amp; Plifka, A Professional Corporation 2323 Bryan Street, Suite 2200 Dallas, TX 75201 Attention: Noah K. Hansford Facsimile No. (214) 969-4999 E-mail: <a href="mailto:hansford@sbep-law.com">hansford@sbep-law.com</a></p>

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

<p>12. <u>Landlord's Address for Payment of Rent</u> :</p>	<p><b><u>ACH Payments :</u></b></p> <p>Bank: Bank of America NT&amp;SA 1850 Gateway Blvd. Concord, CA 94520-3282</p> <p>Routing Number: [***] Account Number: [***] Account Name: Digital Loudoun Parkway Center North, LLC Reference: Tenant Account No./Invoice No.</p> <p><b><u>Wire Transfer :</u></b></p> <p>Bank: Bank of America NT&amp;SA 100 West 33<sup>rd</sup> St. New York, NY 10001</p> <p>Routing Number: [***] SWIFT: [***] Account Number:[***] Account Name: Digital Loudoun Parkway Center North, LLC Reference: Tenant Account No./Invoice No.</p> <p><b><u>Check Payments :</u></b></p> <p><b><u>Regular Mailing Address :</u></b></p> <p>Digital Loudoun Parkway Center North, LLC P.O. Box 418833 Boston, MA 02241-8833</p> <p><b><u>Overnight Mailing Address :</u></b></p> <p>Bank of America Lockbox Services Digital Loudoun Parkway Center North, LLC 418833 MA5-527-02-07 2 Morrissey Blvd. Dorchester, MA 02125</p> <p><b><u>Contact Information:</u></b></p> <p>Director of Cash Management Digital Realty Trust Four Embarcadero Center, Suite 3200 San Francisco, CA 94111 P: (415) 738-6500 F: (415) 848-9363 Email: Treasury@digitalrealty.com</p>
<p>13. <u>Brokers:</u></p>	<p><b>Landlord's Broker :</b> Jones Lang LaSalle.</p> <p><b>Tenant's Broker :</b> No broker; but Paul Adams represents Tenant under a Referral Fee Agreement.</p>
<p>14. <u>Land/Property :</u></p>	<p>The land located at 44100 Digital Loudoun Plaza, Ashburn, Virginia.</p>
<p>15. <u>Building :</u></p>	<p>The building located at 44100 Digital Loudoun Plaza, Ashburn, Virginia. A two (2)-story building consisting of approximately 214,820 square feet.</p>
<p>16. <u>Tenant's Proportionate Share :</u></p>	<p><b>1.17% .</b></p>
<p>17. <u>POP Rooms; POP Licensed Areas:</u></p>	<p>The “ <b>P-POP Room</b> ” shall mean and refer to that certain Building suite as is hereafter designated by Landlord upon notice to Tenant of the same; and the “ <b>S-POP Room</b> ” shall mean and refer to that certain Building suite as is hereafter designated by Landlord upon notice to Tenant of the same (the S-POP Room, together with the P-POP Room, collectively, the “ <b>POP Rooms</b> ”; individually, a “ <b>POP Room</b> ”).</p> <p>The “ <b>POP Licensed Areas</b> ” are comprised of the P-POP Licensed Area and the S-POP Licensed Area, each as described on and subject to the terms of <b>Exhibit “G”</b> , below.</p>
<p>18. <u>Maximum Structural Load :</u></p>	<p>125 pounds of live load per square foot.</p>

\*\*\* Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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19. <u>Datacenter</u> :	Suite [***] located on the [***] floor of the Building approximately as depicted on <b>Exhibit “A”</b> (the “ <b>Datacenter</b> ”).
20. <u>Press Releases</u> :	<p>After both parties have signed this Lease Tenant shall prepare and deliver to Landlord a mutually acceptable press release (“ <b>Initial Press Release</b> ”) announcing Tenant’s occupancy of the Premises in the Building, which Landlord shall have the right to publish and disseminate. Any changes to any such press release delivered by Tenant to Landlord must be mutually agreed to in writing prior to any publication or dissemination of such press release.</p> <p>In addition, Landlord reserves the right to post other press releases (i.e., other than the Initial Press Release), that discloses the fact that Landlord and Tenant have entered into a lease; provided that same does not disclose the location, economics or square footage related hereto, except that each such other press release shall be subject to Tenant’s review and prior written approval, which Tenant may grant or withhold in its sole discretion.</p>
21. <u>BR Ramp Reference</u> .	<p>The parties acknowledge that the entirety of the Electricity Consumption Threshold (450kW) shall be available for use in the Premises on the Commencement Date. The parties further acknowledge, however, that the amounts of monthly Base Rent (see Item 8, above) for the period occurring from the Commencement Date until the last day of the fourth (4<sup>th</sup>) full calendar month of the Term (“ <b>BR Ramp Period</b> ”) are based on the thought that Tenant’s utilization of power will be “ramped in” at the beginning of the Term (i.e., the Base Rent stated in Item 8, above, for month 1 is based on an “interim” Electricity Consumption Threshold of 100kW, as follows 100kW x \$139.75/kW = \$13,975.00/month.). In this situation, “100kW” is referred to as the “ <b>BR Ramp Reference</b> ” for the purposes of calculating the month 1 Base Rent amount.</p> <p>The parties have included this Item 21 in order to account for the possibility (and results) of Tenant’s utilization of power in excess of the then-current BR Ramp Reference during the period commencing on the Commencement Date and expiring at the end of month 4 of the Term (the “ <b>BR Ramp Period</b> ”).</p> <p>Notwithstanding the terms of Item 8 of the Basic Lease Information, above, if, during the BR Ramp Period, Tenant’s UPS power consumption in the Premises over a period of 30 consecutive days exceeds the then-current BR Ramp Reference on a kWh basis over the entirety of such 30 day period, then Tenant’s monthly Base Rent shall be increased for the next calendar months in the BR Ramp Period to be equal to \$139.75/kW multiplied by the next BR Ramp Reference that would have been sufficient to include such UPS power consumption.</p> <p>For example: if, during month 1, Tenant’s UPS power consumption was the kWh equivalent of 400kW, then the BR Ramp Reference for months 2 and 3 would automatically be deemed to have been increased to the month 4 BR Ramp Reference (400kW). Also, for the avoidance of doubt, if during month 1, Tenant’s UPS power consumption was the kWh equivalent of 150kW, then the BR Ramp Reference for month 2 would simply be 200kW, as scheduled (i.e., technically, no Base Rent penalty for such overage).</p>
22. <u>Remote Hands Hourly Rate Consideration</u> .	Notwithstanding anything to the contrary contained in Section 7.5 or <b>Exhibit “I”</b> of this Lease, the parties agree that the hourly rate for the first twenty (20) hours of Remote Hands services ordered by Tenant each calendar month shall be \$[***] (no rollovers). For the avoidance of doubt, the foregoing is merely economic consideration by Landlord to Tenant with regard to RH Provider’s hourly rate, and shall not mean that Landlord or the RH Provider will be prevented from passing through costs of procurement of cable or other equipment or gear that are called for with regard to the ordered Remote Hands service(s).
23. <u>Tenant Moving Allowance</u> .	Subject to the terms of <b>Exhibit “J”</b> , attached hereto, Landlord agrees to provide Tenant with a Moving Allowance (as defined in <b>Exhibit “J”</b> ) in connection with the relocation of certain equipment from the Wakefield Premises (as defined on <b>Exhibit “J”</b> ) to the Premises.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

This Lease shall consist of the foregoing Basic Lease Information, the provisions of the Standard Lease Provisions, below, **Schedule “1”**, above, and **Exhibits “A”** through **“J”**, inclusive, all of which are incorporated herein by this reference as of the Effective Date. In the event of any conflict between the provisions of the Basic Lease Information and the provisions of the Standard Lease Provisions, the Basic Lease Information shall control. In the event of any conflict between the provisions of the **Exhibits** and the Basic Lease Provisions, the provisions of the **Exhibits** shall control.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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## STANDARD LEASE PROVISIONS

### 1. LEASE OF TENANT SPACE

**1.1 Tenant Space.** In consideration of the covenants and agreements to be performed by Tenant, and upon and subject to the terms and conditions of this Lease, Landlord hereby leases to Tenant for the Term, (i) the Premises; and (ii) the Pathway.

**1.2 Condition of Tenant Space .** Tenant has inspected the Datacenter and the Tenant Space and, subject to Landlord's completion of the Commencement Date Conditions, Tenant accepts the Tenant Space in its "AS IS, WHERE IS" condition on the Commencement Date. Tenant acknowledges and agrees that (i) except as specifically set forth herein, no representation or warranty (express or implied) has been made by Landlord as to the condition of the Property, the Building, the Datacenter or the Tenant Space or their suitability or fitness for the conduct of the Permitted Use, its business or for any other purpose, and (ii) except as specifically set forth herein (including the requirement for Landlord to perform the Commencement Date Conditions), Landlord shall have no obligation to construct or install any improvements in or to make any other alterations or modifications to the Property, Building or the Tenant Space.

#### 1.3 Interconnections; Datacenter Connection Area.

**1.3.1 Interconnections .** Tenant acknowledges and agrees that all interconnections between the systems of Tenant and those of other tenants of the Datacenter and/or the Building, and all cross-connects between the systems of Tenant and those of carriers and other telecommunications service providers in the Building, must be ordered through Landlord, must occur in the POP Rooms, and shall be subject to Building standard monthly recurring and non-recurring charges.

#### 1.3.2 Intentionally Deleted.

**1.3.3 Data .** For the avoidance of doubt, the parties acknowledge that the Landlord Group shall have no access to, nor any right of access to, Tenant's or any other Tenant Party's data, whether stored on Tenant's personal property (or on the personal property of any other Tenant Party) or transmitted via any connections or via any other connectivity services that may be provided by, or arranged through or under, any member of the Landlord Group in connection with this Lease; and Tenant agrees that it will not (and will not permit any other Tenant Party to) provide such data, nor provide access to such data, to any member of the Landlord Group. Additionally, to the maximum extent permitted by Applicable Laws, the Landlord Group shall have no liability or responsibility to Tenant or any other Tenant Party, for the failure, termination or suspension of any connections or connectivity services, nor for the content of any communications transmitted or received by Tenant or any other Tenant Party via any connections or connectivity services, nor with regard to the safety, security or integrity of data on Tenant's or any other Tenant Party's personal property; and Tenant shall indemnify, protect, defend and hold harmless Landlord and the other members of the Landlord Group from and against, any and all Claims (including Claims by and/or against and/or with regard to Tenant's customers, and including Claims by any governmental authority, related to violation(s) of Applicable Laws regarding data protection, or otherwise): (a) related to the content of any communications transmitted via connections and/or connectivity services, (b) related to data (including such data's content) transmitted through or by virtue of any connections or other connectivity services obtained by Tenant at, under, from, through or by virtue of the Property, (c) related to the failure, termination and/or suspension of any such connections or connectivity services, or (d) related to the safety, security or integrity of data on Tenant's or any other Tenant Party's personal property; provided, however, that Tenant shall not be required to indemnify Landlord and the other members of the Landlord Group against such Claims to the extent that such Claims are caused by the acts of gross negligence or willful misconduct of Landlord or any other member of the Landlord Group.

#### 1.4 Relocation Right. Intentionally Deleted.

**1.5 Quiet Enjoyment; Access.** Subject to all of the terms and conditions of this Lease, Tenant shall quietly have, hold and enjoy the Tenant Space in conformity with the Permitted Use without hindrance from Landlord or any person or entity claiming by, through or under Landlord. Subject to the terms and conditions of this Lease, including the Datacenter Rules and Regulations and Landlord's Access Control Systems and Force Majeure, Tenant shall have access to the Tenant Space twenty-four (24) hours per day, seven (7) days per week.

**1.6 Common Area.** The Common Area shall be subject to Landlord's sole management and control and shall be operated and maintained in such manner as Landlord in Landlord's discretion shall determine, provided that changes in the Common Area made by Landlord shall have no material adverse affect on Tenant's use of, or access to, the Tenant Space. Tenant, and the other Tenant Parties, shall have the nonexclusive right to use the Common Area as constituted from time to time; such use to be in common with Landlord, the other members of the Landlord Group, other tenants of the Building and other persons entitled to

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use the same, and subject to such reasonable written rules and regulations governing use of the Common Areas as Landlord may from time to time prescribe; provided that in the event of any conflict between the provisions of the Lease and the provisions of any rule or regulation, the provisions of the Lease shall control. Landlord agrees that rules and regulations will not discriminate against Tenant, as compared to any similarly situated tenant, in either enforcement or effect. The parties agree that Landlord may temporarily close any part of the Common Area for such periods of time as may be necessary to prevent the public from obtaining prescriptive rights or to make repairs or alterations; Landlord agreeing, in effecting such closure, repairs or alterations, to use reasonable efforts to minimize any interference with Tenant's use of, or access to, the Tenant Space.

**1.7 Tenant's Datacenter Expansion Right** . Subject to the terms and conditions set forth in this Section 1.7, Tenant shall have a one-time right to request that Landlord demise to Tenant additional Datacenter space in the Building ( "**Datacenter Expansion Area**") which would provide Tenant with approximately an additional 300 KW of critical IT capacity. Tenant shall only have the right to lease a Datacenter Expansion Area if Landlord determines, in Landlord's sole, but bona fide, business judgment, that a Datacenter Expansion Area and the associated additional power capacity is available for lease to Tenant. Tenant hereby acknowledges that the availability of any Datacenter Expansion Area depends upon both: (i) the availability of premises in the Building for such use by Tenant in a datacenter suite that has been designated as "multi-tenant" by Landlord, and (ii) the availability of the additional power capacity necessary to service such Datacenter Expansion Area, and the availability of additional power is dependent upon Landlord's ability to purchase such capacity from a utility company.

1.7.1 If Tenant desires to lease a Datacenter Expansion Area, Tenant must give written notice ( "**Datacenter Expansion Request**") to Landlord requesting that Landlord advise Tenant as to whether a Datacenter Expansion Area is available for lease to Tenant.

1.7.2 Landlord shall, within fifteen (15) calendar days after Landlord receives a Datacenter Expansion Request from Tenant, give Tenant written notice ( "**Landlord's Datacenter Offer**") advising Tenant as to whether a Datacenter Expansion Area is available for lease to Tenant and, if so: (i) the location of the Datacenter Expansion Area, (ii) the estimated commencement date with respect to the Datacenter Expansion Area, (iii) the Base Rent and other costs which would be payable by Tenant in connection with Tenant's demise of the Datacenter Expansion Area, both during the Initial Term (if applicable), the First Extension Term, and the Second Extension Term, and (iv) and such other terms and conditions as may be applicable to Tenant's demise of the Datacenter Expansion Area. The Base Rent for a Datacenter Expansion Area shall be based upon the Prevailing Base Rent ( as defined in Section 1.8.1 below) of the Datacenter Expansion Area, as determined by Landlord in the exercise of its bona fide business judgment (except that Tenant shall have the right to submit Landlord's determination to Fair Market Rent Arbitration in accordance with Section 1.8.2); such Base Rent and other costs shall take into account, without limitation, costs which Landlord has incurred, or will have to incur, both capital cost and on-going costs, in order to obtain the power capacity from a utility company necessary to serve the Datacenter Expansion Area; and such other terms and conditions shall be based upon the terms and conditions which are then applicable to leases then being executed for comparable Datacenter space in the Building. Tenant shall take the Datacenter Expansion Area in "as-is" condition (i.e., Landlord shall have no obligation to prepare the Datacenter Expansion Area for Tenant's use and occupancy).

1.7.3 If Landlord advises Tenant that a Datacenter Expansion Area is available for lease to Tenant, then: (i) Tenant may lease the Datacenter Expansion Area offered in Landlord's Datacenter Offer by giving written notice ( "**Datacenter Expansion Exercise Notice**") to Landlord on or before the date fifteen (15) calendar days after Tenant receives the Landlord's Datacenter Offer, (ii) if Tenant timely gives Landlord a Datacenter Expansion Exercise Notice, then Tenant shall lease the Datacenter Expansion Area from Landlord for a Term expiring contemporaneously with the expiration of the Term with respect to the Tenant Space initially demised to Tenant, upon the terms and conditions set forth in Landlord's Datacenter Offer, and otherwise upon all of the same terms and conditions applicable to Tenant's demise of the Tenant Space initially demised to Tenant, to the extent not inconsistent with the provisions of Landlord's Datacenter Offer, and Tenant shall have no further right to lease additional Datacenter Expansion Area pursuant to this Section 1.7, and (iii) if Tenant does not timely give Landlord a Datacenter Expansion Exercise Notice, Tenant shall have no further right to lease additional space pursuant to this Section 1.7.

1.7.4 If Landlord advises Tenant that a Datacenter Expansion Area is not available for lease to Tenant, then Tenant shall have the right, from time to time (but subject to the provisions of this Section 1.7) to give Landlord subsequent Datacenter Expansion Exercise Notices, but not more often than one time every three months.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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1.7.5 Tenant shall have the right to lease a Datacenter Expansion Area only with respect to the entirety of such Datacenter Expansion Area. If Tenant duly exercises its right to lease a Datacenter Expansion Area, Landlord and Tenant shall execute an amendment reflecting such exercise. Notwithstanding anything to the contrary herein, any attempted exercise by Tenant of its right to lease a Datacenter Expansion Area shall, at the election of Landlord, be invalid, ineffective, and of no force or effect if, on the date on which Tenant delivers a Datacenter Expansion Exercise Notice, or on the commencement date with respect to such Datacenter Expansion Area, either: (i) there shall be an uncured Event of Default by Tenant under this Lease, or (ii) the Lease is no longer in full force or effect.

## **1.8 Determination of Prevailing Base Rent for Datacenter Expansion Area**

1.8.1 Definition of Prevailing Base Rent. The “**Prevailing Base Rent**” shall be defined as the prevailing base rent then being charged by Landlord for comparable space in the Building for new leases (or if there are no leases of comparable datacenter space then being entered into in the Building, then for comparable space in the greater Ashburn, Virginia market area, taking into consideration all relevant factors, including the quality, size, utility and location thereof, the length of the term thereof, the credit standing of Tenant, the amenities provided to Tenant, the Tax Base Year, and any economic concessions given to tenants such as free rent and allowance.

If Tenant disagrees with Landlord’s designation of the Prevailing Base Rent set forth in Landlord’s Datacenter Offer, then in Tenant’s Datacenter Expansion Exercise Notice, Tenant shall request that the determination of Prevailing Base Rent for the Datacenter Expansion Area be submitted to arbitration in accordance with the procedure set forth below in Section 1.8.2, failing which Tenant shall be deemed to have accepted Landlord’s designation of Prevailing Base Rent.

1.8.2 Arbitration Procedure. Within ten (10) business days after Tenant’s delivery to Landlord of Tenant’s Datacenter Expansion Exercise Notice, pursuant to which Tenant elects to have Base Rent determined pursuant to Fair Market Rent Arbitration (the “Appointment Deadline”), each party shall give written notice to the other setting forth the name and address of the Disinterested Expert selected by such party, who has agreed to act in such capacity, to determine the Prevailing Base Rent for the Datacenter Expansion Area. If either party shall fail to select a Disinterested Expert within the required time period, then the Disinterested Expert selected by the other party shall determine the Prevailing Base Rent. Each Disinterested Expert shall thereupon independently make its determination of the Prevailing Base Rent within thirty calendar (30) days after the Appointment Deadline (each, an “Initial Expert Determination”). If either Disinterested Expert shall fail to make an Initial Expert Determination of the Prevailing Base Rent within thirty (30) days after the Appointment Deadline, then the Initial Expert Determination of the other Disinterested Expert (to the extent that such Disinterested Expert makes such Initial Expert Determination within such thirty (30) day period) shall be deemed the Prevailing Base Rent. If the two (2) Disinterested Experts’ Initial Expert Determination are not the same, but the higher of such two (2) values is not more than [\*\*\*] of the lower of such values, then the Prevailing Base Rent shall be deemed to be the average of the two (2) values. If, however, the higher of such two (2) values is more than [\*\*\*] of the lower of such values, then the two (2) Disinterested Experts shall jointly appoint a third (3<sup>rd</sup>) Disinterested Expert (the “3<sup>rd</sup> Expert”) within ten (10) days after the second (2<sup>nd</sup>) of the two (2) Initial Expert Determinations has been rendered and delivered to the other party. The 3<sup>rd</sup> Expert shall independently choose which of the Initial Expert Determinations is the more accurate with regard to Prevailing Base Rent, and the Initial Expert Determination chosen by the 3<sup>rd</sup> Expert shall be deemed to be the Prevailing Base Rent for the Datacenter Expansion Area. The 3<sup>rd</sup> Expert shall only choose from between the Initial Expert Determinations provided by each of the other Disinterested Experts and shall not be afforded the opportunity to render an independent Initial Expert Determination. For the purposes hereof, “Disinterested Expert” shall mean a broker who has been regularly engaged in the business of datacenter leasing in the Market Area for at least the five (5) years immediately preceding such person’s appointment hereunder. Each party shall pay for the cost of its Disinterested Expert and one-half of the cost of any 3<sup>rd</sup> Expert. If the Base Rent for the Datacenter Expansion Area shall not have been determined prior to the commencement date with respect to such Datacenter Expansion Area, then Tenant shall commence to pay Base Rent with respect to such Datacenter Expansion Area based upon Landlord’s initial determination of the Prevailing Base Rent, and after such Base Rent is determined by arbitration, then either (i) Tenant shall, within thirty (30) calendar days after billing, pay to Landlord any underpayment of Base Rent, or (ii) Landlord shall credit to Tenant’s account any overpayment of Base Rent.

**1.9 Licenses and Permits**. Landlord shall, at Landlord’s cost, obtain all licenses, approvals, permits and authorizations required by applicable federal, state, and local laws and regulations that Landlord is required to have in order to perform the Landlord’s Essential Services and to perform Landlord’s Installations. Landlord shall provide Tenant with all such licenses, approvals, permits and authorizations within ten (10) business days after Landlord’s receipt of Tenant’s request therefore.

## **2. TERM.**

**2.1** The term of this Lease, and Tenant’s obligation to pay Rent under this Lease, shall commence on the Commencement Date and shall continue in effect for the Term of the Lease, as the same may be extended, or earlier terminated,

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in accordance with the express terms of this Lease.

**2.2 Delivery of Tenant Space** . Landlord shall use commercially reasonable efforts to satisfy the Commencement Date Conditions prior to the Target Commencement Date. Landlord and Tenant acknowledge and agree that, by virtue of Landlord's delivery of the Commencement Date Notice to Tenant, Landlord shall be deemed to have delivered the Tenant Space to Tenant, and Tenant shall be deemed to have accepted the same.

**2.2.1 Failure to Meet Commencement Date Conditions** . In the event that the Commencement Date Conditions have not been completed by the Target Commencement Date, subject to extension by virtue of Force Majeure, Landlord shall not be deemed in default hereunder, and the Commencement Date shall be postponed, as Tenant's sole and exclusive alternative remedies, until the date on which the Commencement Date Conditions have occurred. Notwithstanding the foregoing:

2.2.1.1 If the Commencement Date Conditions have not occurred prior to the Outside Liquidated Damages Date, subject to extension by virtue of Force Majeure, Tenant shall receive a credit ( "**Rent Credit** ") of [\*\*\*] of Rent (calculated using the Rent amounts which would have been payable had the Tenant Space been timely delivered) for each day between the Outside Liquidated Damages Date (as extended by virtue of Force Majeure) and the date on which the Commencement Date Conditions occur, provided however that in no event shall the amount of the Rent Credit exceed 30 days of Rent (calculated using the Rent amounts which would have been payable had the Tenant Space been timely delivered); or

2.2.1.2 If the Commencement Date Conditions have not occurred prior to the Outside Completion Date, subject to extension by virtue of Force Majeure, Tenant shall have the right to terminate this Lease, provided that:

(a) Tenant notifies Landlord of such termination prior to the earlier to occur of: (1) completion of the Commencement Date Conditions; or (2) ten (10) business days after the Outside Completion Date; and

(b) Landlord has not caused the Commencement Date Conditions to have been completed within five (5) days after its receipt of such notice of termination from Tenant.

If (aa) the Commencement Date Conditions are completed prior to Tenant's exercise of the foregoing termination right, (bb) the Commencement Date Conditions are completed within five (5) days after Tenant's exercise of the foregoing termination right, or (cc) Tenant shall fail to exercise such termination right within ten (10) days after the Outside Completion Date, then such termination right shall, in any such event, be deemed to have expired and shall, thereafter, be of no further force or effect.

## **2.2.2 Intentionally Deleted** .

**2.2.3 Early Access** s. Sections 2.2 & 2.2.1, above, notwithstanding, Landlord agrees, subject to the terms and conditions of this Section 2.2.3, to permit Tenant and the other Tenant Parties to have Early Access in the Premises, on and after the Early Access Date. Any such permission shall constitute a license only, conditioned upon Tenant and Tenant's contractors' obtaining Landlord's prior written consent (not to be unreasonably withheld) with regard to each item of Tenant Work that any of such parties desire to undertake during the Early Access Period.

2.2.3.1 Notwithstanding anything in this Lease to the contrary, the Early Access Period may be reduced by Landlord to the extent such Early Access materially interferes with Landlord's ability to complete the Commencement Date Conditions on or before the Target Commencement Date. Tenant's Early Access shall be subject to (and, during such period, Tenant must comply with) all of the terms and provisions of this Lease, excepting only the payment of Base Rent. Additionally, Tenant agrees that (a) Landlord's obligations to provide services to the Tenant Space and/or the equipment serving the Tenant Space shall commence on the Commencement Date and shall not apply during the Early Access Period, and (b) while Tenant shall not be required to pay Base Rent during the Early Access Period, Tenant shall be required to pay any and all electricity charges that accrue to the Premises during the Early Access Period.

## **2.3 Extension Options.**

2.3.1 Subject to and in accordance with the terms and conditions of this Section 2.3, Tenant shall have the following options ( "**Extension Options** ") to extend the Term of the Lease.

First Extension Term: Three (3) years (months 61-96)

Second Extension Term: Three (3) years (months 97-132)

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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Tenant's right to extend the Term of the Lease with respect to any Extension Term shall be conditioned upon Tenant having timely and properly exercised its right to extend the Term of the Lease for all prior Extension Terms.

2.3.2 Each Extension Term shall be upon all of the same terms, conditions and provisions applicable to the then-current Term of this Lease (except as provided otherwise herein). Tenant shall have no further options to extend the Term, except as expressly set forth in this Section 2.3.

2.3.3 The monthly Extension Term Base Rent payable with respect to the Tenant Space for each Extension Term shall be equal to the then prevailing base rent then being charged by Landlord for comparable space in the Building for new leases, taking into consideration the quality, size, utility and location thereof, the length of the Extension Term, the credit standing of Tenant, and the amenities provided to Tenant; provided, however, that in no event shall the monthly Base Rent payable by Tenant during the first year of any Extension Term be less than one hundred three percent (103%) of the scheduled monthly Base Rent for the last month of the immediately preceding year of the Term of the Lease; and provided further that, once the Base Rent has been determined in accordance with this Section 2.3 with regard to the first year of an Extension Term, the monthly Base Rent for each subsequent year of such Extension Term shall be increased hereunder as of the first (1<sup>st</sup>) day of each such subsequent year to be equal to one hundred three percent (103%) of the scheduled monthly Base Rent for the last month of the immediately preceding year of the Term of the Lease, as extended.

2.3.4 With respect to the First Extension Option and the Second Extension Option, Tenant may exercise each such Extension Option only by delivering an Extension Option Interest Notice to Landlord at least nine (9) calendar months (and not more than twelve (12) calendar months) prior to the then applicable expiration date of the Term, specifying that Tenant is interested in exercising an Extension Option pursuant to this Section 2.3. Landlord shall thereafter deliver the Extension Option Landlord's Notice to Tenant. Tenant shall thereafter have the right to exercise the applicable Extension Option by delivering an Extension Option Exercise Notice to Landlord within thirty (30) days after Landlord's delivery of the Extension Option Landlord's Notice to Tenant, specifying that Tenant is irrevocably exercising its Extension Option so as to extend the Term of this Lease by an Extension Term on the terms set forth (a) in this Section 2.3, and (b) in the Extension Option Landlord's Notice.

2.3.5 In the event that Tenant shall duly exercise an Extension Option, the Term shall be extended to include the applicable Extension Term (and all references to the Term in this Lease shall be deemed to refer to the Term specified in Item 5 of the Basic Lease Information, plus all Extension Terms properly exercised by Tenant). In the event that Tenant shall fail to deliver an Extension Option Exercise Notice, or an Extension Option Interest Notice, as the case may be, within the applicable time period specified herein for the delivery thereof, time being of the essence, at the election of Landlord, Tenant shall be deemed to have forever waived and relinquished such Extension Option, and any other options or rights to renew or extend the Term effective after the then applicable expiration date of the Term shall terminate and shall be of no further force or effect.

2.3.6 Tenant shall have the right to exercise any Extension Option only with respect to the entire Tenant Space leased by Tenant at the time that Tenant delivers the applicable Extension Option Exercise Notice. If Tenant duly exercises an Extension Option, Landlord and Tenant shall execute an amendment reflecting such exercise. Notwithstanding anything to the contrary herein, any attempted exercise by Tenant of an Extension Option shall, at the election of Landlord, be invalid, ineffective, and of no force or effect if, on the date on which Tenant delivers an Extension Option Exercise Notice, or an Extension Option Interest Notice, as the case may be, or on the date on which the Extension Term is scheduled to commence, either: (i) there shall be an uncured Event of Default by Tenant under this Lease, or (ii) the Lease is no longer in full force or effect.

### 3. BASE RENT AND OTHER CHARGES.

**3.1 Base Rent.** Tenant shall pay Base Rent to Landlord throughout the Term of this Lease. All Base Rent shall be paid to Landlord in monthly installments in advance on the first day of each and every calendar month throughout the Term of this Lease; provided, however, that:

(a) if the Term of this Lease does not commence on the first day of a calendar month, the Base Rent for the Partial Month shall (i) be calculated on a per diem basis determined by dividing the Base Rent above by the total number of calendar days in such Partial Month and multiplying such amount by the number of days remaining in such Partial Month from and after (and including) the Commencement Date, and (ii) be paid by Tenant to Landlord on the Commencement Date; and

(b) if the Term of this Lease is terminated on a date other than the last day of a calendar month, any prepaid Base Rent and Additional Rent shall be refunded to Tenant on a per diem and prorated basis for each day during the calendar month after the effective date of termination for which Tenant has paid Base Rent and Additional Rent, to the extent that

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such overpayment exceeds any amounts then due from Tenant to Landlord.

Tenant shall not pay any installment of Rent more than one (1) month in advance.

**3.2 Installation Fee** . In consideration of the costs incurred by Landlord in connection with Landlord's installation of Landlord's Installations (as defined on **Exhibit "E"** ) Tenant shall pay the Installation Fee (in the amount set forth in Item 9 of the Basic Lease Information, above) to Landlord within thirty (30) days after Tenant's receipt of an invoice for same.

**3.3 Payments Generally** . Base Rent and all forms of Additional Rent payable hereunder by Tenant (i) shall be payable to Landlord when due, without any prior notice or demand therefor, in lawful money of the United States without any abatement, offset or deduction whatsoever (except as specifically provided otherwise herein), and (ii) shall be payable to Landlord at the address of Landlord specified in Item 12 of the Basic Lease Information (or to such other person or to such other place as Landlord may from time to time designate in writing to Tenant). No receipt of money by Landlord from Tenant after the termination of this Lease shall reinstate, continue or extend the Term of this Lease. No partial payment by Tenant shall be deemed to be other than on account of the full amount otherwise due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Landlord shall be entitled to accept such payment without compromise or prejudice to any of the rights of Landlord hereunder or under any Applicable Laws. In the event that the Commencement Date or the expiration of the Term (or the date of any earlier termination of this Lease) falls on a date other than the first or last day of a calendar month, respectively, the Rent payable for such partial calendar month shall be prorated based on a per diem basis.

**3.4 Late Payments** . Landlord and Tenant agree that if Landlord has not received any payment of Rent on or before the Delinquency Date, Tenant shall, in addition to Tenant's obligation to pay the Late Payment to Landlord, also be required to pay to Landlord, as Additional Rent, (i) a Late Charge, and (ii) Late Payment Interest from the Delinquency Date until the date the foregoing are paid, collectively, to cover Landlord's additional administrative costs and damages related to such Late Payment, which are difficult, if not impossible, to determine. Notwithstanding the foregoing, Landlord hereby agrees to waive the Late Charge with respect to the first late payment in any twelve-(12)-month period. In no event, however, shall the charges permitted under this Section 3.4, or elsewhere in this Lease, to the extent the same are considered to be interest under Applicable Law, exceed the maximum lawful rate of interest. Landlord's acceptance of any Late Charge, or any Late Payment Interest, shall not be deemed to constitute a waiver of Tenant's default with respect to the Late Payment, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord hereunder or under any Applicable Laws.

### **3.5 Utilities; Tenant's Utility Payment.**

#### **3.5.1 Defined Terms.**

(a) The term "**PUE Cap Pre-Conditions** " means that throughout the course of the applicable calendar year, (i) Tenant has operated the Premises (utilization of UPS power) on a monthly average kWh basis at not less than [\*\*\*] of the Electricity Consumption Threshold for each month of the applicable calendar year (reasonably prorated to account for parts of a calendar year occurring at the beginning and ending of the Term); (ii) Tenant has installed, and has been in continuous utilization of Containment, (iii) Tenant has installed and has been in reasonably continuous utilization of blanking panels in the preponderance of empty rack positions, (iv) all or substantially all air gaps between the hot and cold aisles are sealed, and (v) all equipment in the racks in the Premises exhaust hot air to the hot aisle and not to the cold aisle.

(b) The term "**Containment** " shall mean and refer to a hot or cold aisle containment solution for the Premises (i.e., the installation of certain equipment, barriers and materials throughout the Premises for the purpose of keeping hot aisle air segregated from cold aisle air), including "door open" and "door closed" sensors that record the time of such openings and closings, in accordance with plans that have been reviewed and reasonably approved by Landlord.

3.5.2 Tenant shall pay the cost of all utilities (e.g., electricity, chilled water) serving, provided to and/or used in or for the Tenant Space. In that regard, Tenant shall pay **Tenant's Utility Payment** (also referred to herein as "**Tenant's Utility Payment (Default)** ") to Landlord, as Additional Rent, within thirty (30) days after Tenant's receipt of each Tenant's Utility Payment invoice. The monthly amount of Tenant's Utility Payment shall be, as follows (subject to Section 3.5.3, below):

#### **3.5.2.1 Intentionally Deleted.**

3.5.2.2 During the Utility Default Period, Tenant's Utility Payment shall be equal to Tenant's Utility Payment (Default). For the avoidance of doubt, Tenant acknowledges that, during the Utility Default Period, Tenant shall pay Tenant's Utility Payment (Default), subject to the terms and conditions of the following Sections 3.5.2.3 and 3.5.2.4.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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3.5.2.3 Tenant's Utility Payment (Default) obligation for each billing cycle shall be equal to the actual amount of Tenant's Shared Mechanical Payment and the actual amount of Tenant's Separately Metered Utility Payment. The foregoing notwithstanding, if, over the course of the applicable calendar year, (a) Tenant has operated the Premises on a monthly average kWh basis at not less than [\*\*\*] of the Electricity Consumption Threshold for each month of the applicable calendar year (reasonably prorated to account for parts of a calendar year occurring at the beginning and end of the Term), and (b) Tenant has been in continuous compliance with the PUE Cap Pre-Conditions, then the aggregate of Tenant's Utility Payments for such calendar year shall (in accordance with Section 3.5.3, below) not exceed a sum equal to (a) the aggregate amounts of Tenant's Separately Metered Utility Payments for such calendar year, plus (b) [\*\*\*] of the aggregate amounts of Tenant's Separately Metered Utility Payments for such calendar year (i.e., a total of [\*\*\*] of the aggregate amounts of Tenant's Separately Metered Utility Payments for such calendar year; the "Conditional PUE Cost Recovery Cap").

3.5.2.4 Landlord shall provide Tenant a statement on or before June 15 (or as soon thereafter as reasonably possible) after the end of each calendar year, showing the aggregate of Tenant's Utility Payments (Default) throughout such calendar year, as compared to the aggregate of Tenant's Utility Payments (Default) that would have been collected by Landlord from Tenant during such calendar year if capped, in the aggregate, by the Conditional PUE Cost Recovery Cap. If (a) the Premises has been in compliance with the PUE Cap Pre-Conditions over the course of the entire calendar year, and (b) the aggregate of Tenant's Utility Payments (Default), as affected by the Conditional PUE Cost Recovery Cap is less than the aggregate of Tenant's Utility Payments (Default) that were actually collected by Landlord from Tenant during such months without taking the Conditional PUE Cost Recovery Cap calculation into consideration, Landlord shall pay to Tenant, within thirty (30) days following Tenant's receipt of such statement, the amount of the difference. The parties acknowledge that Landlord shall reasonably prorate the foregoing reconciliation mechanism to account for parts of a calendar year occurring at the beginning and end of the Term. The foregoing adjustment provisions shall survive the expiration or termination of the Term of this Lease.

3.5.3 **Periods of Premises Underutilization.** Tenant acknowledges that Shared Infrastructure Costs will be incurred for the operation of the Building and the Datacenter regardless of whether there is any power being drawn in the Premises. As such, Section 3.5.2 above notwithstanding, Landlord and Tenant hereby agree that, during Periods of Premises Underutilization, Tenant's Utility Payment shall be determined by virtue of a reasonable proration of the Shared Infrastructure Costs (based on power capacity).

3.5.4 **Generator Fuel Usage.** Additionally, Tenant shall pay Tenant's proportionate share (based on power usage) of the cost of all Generator Fuel Usage, except for the extent to which such Generator Fuel Usage represents Maintenance Fuel Usage. Landlord shall bill Tenant not more frequently than monthly for the amount of the Generator Fuel Payment. Tenant shall pay the Generator Fuel Payment to Landlord, as Additional Rent, within thirty (30) days of delivery of each Generator Fuel Payment invoice. For the avoidance of doubt, it is the intent of the parties that this Section 3.5.5 represents a mechanism only for Landlord's cost recovery with regard to non-maintenance related Generator Fuel Usage, and that there is no intent for Tenant's Generator Fuel Payment to include any element of profit to Landlord in connection therewith.

3.5.5 **Billing Disputes and Report s.** Landlord and Tenant shall exercise good faith efforts to resolve all billing disputes to their mutual satisfaction within thirty (30) calendar days.

#### 4. TAXES.

**4.1 Taxes - Equipment .** Tenant shall be liable for and shall pay at least ten (10) days before delinquency all Taxes - Equipment. If any such Taxes - Equipment are levied or assessed against Landlord or the Property, and if Landlord elects to pay the same, Tenant shall pay to Landlord as Additional Rent, within thirty (30) days of Landlord's demand therefor, that part of such Taxes - Equipment for which Tenant is liable hereunder.

**4.2 Taxes - Other.** Tenant shall pay to Landlord, as Additional Rent and within thirty (30) days of Landlord's demand therefor, and in such manner and at such times as Landlord shall direct from time to time by written notice to Tenant all Taxes - Other.

#### **4.3 Taxes - Real Property.**

4.3.1 If the Taxes - Real Property (Actual) during any calendar year are greater than the Taxes - Real Property (Actual) applicable to the Tax Base Year, Tenant shall be obligated to pay to Landlord as Additional Rent an amount equal to Tenant's Proportionate Share of Taxes - Real Property (Actual).

4.3.2 Beginning with the Effective Date (or as soon thereafter as reasonably possible), Landlord shall provide to Tenant a statement of the Taxes - Real Property (Projected) for the Property for the year in which the Effective Date occurs.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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Tenant shall pay each Projected Real Property Tax Installment to Landlord on the first day of each month during the Term of the Lease. Until Tenant has received the statement of the Taxes - Real Property (Projected) from Landlord, Tenant shall continue to pay Projected Real Property Tax Installments to Landlord in the same amount (if any) as required for the last month of the prior calendar year. Upon Tenant's receipt of such statement of the Taxes - Real Property (Projected), Tenant shall pay to Landlord, or Landlord shall pay to Tenant (whichever is appropriate), the difference between the amount paid by Tenant as Projected Real Property Tax Installments prior to receiving such statement and the amount payable by Tenant therefor as set forth in such statement. Landlord shall provide Tenant a statement on or before June 15 (or as soon thereafter as reasonably possible) after the end of each calendar year, showing Tenant's Proportionate Share of Taxes - Real Property (Actual) applicable to such calendar year, as compared to the total of the Projected Real Property Tax Installments for such calendar year. If Tenant's Proportionate Share of Taxes - Real Property (Actual) for such calendar year exceeds the aggregate of the Projected Real Property Tax Installments collected by Landlord from Tenant with regard to such calendar year, Tenant shall pay to Landlord, within thirty (30) calendar days following Tenant's receipt of such statement, the amount of such excess. However, if Tenant's Proportionate Share of Taxes - Real Property (Actual) for such calendar year is less than the aggregate of the Projected Real Property Tax Installments collected by Landlord from Tenant with regard to such calendar year, Landlord shall pay to Tenant, within thirty (30) calendar days following Tenant's receipt of such statement, the amount of such excess. Landlord shall have the right from time to time during each calendar year to revise the Taxes - Real Property (Projected), based upon Landlord's reasonable estimate of increases or decreases in Taxes - Real Property (Projected) and provide Tenant with a revised statement thereof. Thereafter, Tenant shall pay Projected Real Property Tax Installments on the basis of the revised statement. If the Commencement Date is not the first day of a calendar year, or the expiration or termination date of this Lease is not the last day of a calendar year, then Tenant's Proportionate Share of Taxes - Real Property (Actual) shall be prorated. The foregoing adjustment provisions shall survive the expiration or termination of the Term of this Lease. If Landlord receives an abatement of Taxes - Real Property for any fiscal/tax year in respect of which Tenant pays Tenant's Proportionate Share of Taxes - Real Property, then Landlord shall, within thirty (30) days after Landlord actually receives the proceeds of such abatement, credit or pay to Tenant with Tenant's Proportionate Share of the net (i.e. net of the reasonable costs incurred by Landlord in obtaining such abatement) amount of such abatement proceeds, provided however, that in no event shall Tenant receive, with respect to any fiscal tax year, more than the actual amount of Tenant's Proportionate Share of Taxes - Real Property paid by Tenant for Landlord for such fiscal tax year.

5. **SECURITY DEPOSIT.** Intentionally omitted.

6. **PERMITTED USE; COMPLIANCE WITH RULES AND LAWS; HAZARDOUS MATERIAL S.**

**6.1 Permitted Use.** Tenant shall use the Tenant Space only for the Permitted Use. Any other use of the Tenant Space is subject to Landlord's prior written consent, which consent may be withheld or conditioned in Landlord's sole and absolute discretion.

**6.6.1 Limitations on Permitted Use.** Tenant agrees that neither Tenant, nor any other Tenant Party, may use the Tenant Space, or operate within the Tenant Space, the Datacenter and/or the Building, in any manner, which: (i) causes or is reasonably likely to cause damage to the Property, the Building, the Datacenter, the Tenant Space or any Building System; (ii) will invalidate or otherwise violate a requirement or condition of any fire, extended coverage or any other insurance policy covering the Property, the Building, and/or the Tenant Space, or the property located therein, or will increase the cost of any of the same, unless Tenant reimburses Landlord for the amount of increase caused by Tenant, or any Tenant Party; (iii) constitutes a nuisance and/or otherwise interferes with other tenants' or occupants' use of space in the Building or otherwise at the Property, and/or any equipment, facilities or systems of any such tenant or occupant; (iv) interferes with the transmission or reception of microwave, television, radio, telephone, or other communication signals by antennas or other facilities located at the Property. Additionally, and notwithstanding anything to the contrary contained in this Section 6.1, Tenant agrees that neither Tenant, nor any other Tenant Party, may (a) operate a meet-me room (i.e., a facility which has capacities and uses similar to the POP Room) in the Tenant Space or any other portion of the Building, (b) provide MMR Services in the Tenant Space or any other portion of the Building, or (c) refer to the Tenant Space as a "meet-me room". Tenant agrees to reimburse Landlord for any losses, costs or damages caused by unauthorized parties who gain access to the Tenant Space or the Building through access cards, keys or other access devices provided to Tenant (or any other Tenant Party) by Landlord. Tenant agrees to reimburse Landlord, as Additional Rent, for any additional insurance premium charged by Landlord's insurance carrier for any insurance policy to the extent caused by Tenant's failure to comply with the provisions of this Section 6.1.1.

**6.2 Datacenter Rules and Regulations.** Tenant's Permitted Use shall be subject to, and Tenant, and all other Tenant Parties, shall comply fully with the Datacenter Rules and Regulations. Landlord shall have the right, from time-to-time, to change, amend and/or supplement the Datacenter Rules and Regulations as may be deemed by Landlord, in the exercise of its sole but good faith discretion, advisable for the safety, care and/or cleanliness of the Tenant Space, the Datacenter, the Building and/or the Property, and/or for the preservation of good order in any of same; provided, however, that such changes to the Datacenter Rules and Regulations may not increase Tenant's monetary obligations under this Lease or unreasonably interfere with Tenant's Permitted

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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Use of the Tenant Space. Landlord shall notify Tenant in writing promptly after making any changes to the Datacenter Rules and Regulations and shall provide Tenant with a copy of, or make available to Tenant electronically, the revised and current version of the Datacenter Rules and Regulations. In the event of a conflict between the Datacenter Rules and Regulations and the terms of this Lease, the terms of this Lease shall govern. Tenant shall be responsible for causing the other Tenant Parties to comply with the Datacenter Rules and Regulations.

### **6.3 Compliance with Laws; Hazardous Materials.**

6.3.1 **Compliance with Laws** . Tenant, at Tenant's sole cost and expense, shall timely take all action required to cause all Alterations and Tenant's (and all other Tenant Parties') use of the Tenant Space to comply at all times during the Term of this Lease in all respects with all Applicable Laws.

### **6.4 Electricity Consumption Threshold.**

6.4.1 Tenant's actual electricity consumption for the Premises, as reasonably determined by Landlord pursuant to such measurement method or methods as Landlord shall employ from time to time (including the use of sub-meters and/or pulse meters, electrical surveys and/or engineer's estimates), shall not at any time, exceed the Electricity Consumption Threshold. The power drawn by all of Tenant's Personal Property shall be included in the calculation of Tenant's actual electricity consumption for the Premises, except that if Tenant leases the Datacenter Expansion Area pursuant to Section 1.7, then the Electricity Consumption Threshold shall be increased by the additional electrical capacity provided to Tenant in connection with its demise of the Datacenter Expansion Area. In the event that an ECT Overage occurs, Tenant agrees to take immediate action to cause power consumption in the Premises to be at or below the Electricity Consumption Threshold.

6.4.2 **Sub-ECT** . Tenant acknowledges that the Electricity Consumption Threshold to the Premises is being provided via shared PDUs. In addition to the aggregate power draw restrictions in Section 6.4.1, above, Tenant hereby agrees that Tenant's actual electricity consumption shall not at any time exceed (a) 90amps from any PDU breaker during normal operation; (b) 150kW in the aggregate from any dedicated PDU pair during normal operation; or (c) 75kW in the aggregate from any shared PDU pair during normal operation (the "**Sub-ECT** "). In the event that the electricity consumption for the Premises exceeds any the Sub-ECT, then such occurrence shall also be deemed to be an ECT Overage (a "**Sub-ECT Overage** "), and Tenant agrees to take immediate action to cause power consumption to be at or below the Sub-ECT. Notwithstanding Section 15.1.2.1 of this Lease, below, it shall be deemed to be an Event of Default by Tenant under this Lease if Tenant fails to remedy a Sub-ECT Overage within one hundred twenty (120) hours after its receipt of an ECT Default Notice for such ECT Overage.

6.4.3 **Circuit Consumption Threshold** . Tenant is responsible for managing the electrical load on Dedicated Main Circuits (as defined below) in order to prevent overloading of each Dedicated Main Circuit during reduced redundancy operations. In that regard, in the event (during normal operation) that the load on any Dedicated Main Circuit reaches 45% of the applicable circuit rating, Landlord may notify Tenant (by an email generated by the BMS System) of this condition and request that Tenant closely monitor its circuit-level loads to ensure they remain below 50% of the applicable circuit rating, with a recommendation that normal operating load be maintained below 45% of the applicable circuit rating to minimize the chance of an unplanned load in excess of 50%. In the event (during normal operation) that the load on any Dedicated Main Circuit exceeds the Circuit Consumption Threshold (as defined below) for such Dedicated Main Circuit (a "**Circuit Threshold Overage** "), Landlord may notify Tenant (by an email generated by the BMS System) of this condition and request that the load for the applicable Dedicated Main Circuit be reduced to below 50% of the applicable circuit rating, with a recommendation that normal operating load be maintained below 45% of applicable circuit rating to minimize the chance of an unplanned load in excess of 50%. In the event of a Circuit Threshold Overage for which Tenant has not reduced the load for such Dedicated Main Circuit below 50% of the applicable circuit rating, Landlord shall be relieved of its SLA obligations, and Tenant shall not be entitled to remedies set forth in the SLA, with respect to Power Availability to the PDU(s) serving the applicable Dedicated Main Circuit(s). As used herein, "**Dedicated Main Circuit** " shall mean and refer to the input feeder circuits of each PDU to the Premises. As used herein, "**Circuit Consumption Threshold** " shall, as it relates to the electrical load on each Dedicated Main Circuit, mean and refer to 50.00% of the circuit rating for such Dedicated Main Circuit.

6.5 **Maximum Structural Load** . Tenant shall not place a load upon the Premises or the Datacenter exceeding the Maximum Structural Load.

## **7. ACCESS CONTROL; LANDLORD'S ESSENTIAL SERVICES; INTERRUPTION OF SERVICES; REMOTE HANDS SERVICES.**

7.1 **Access Control** . Landlord will provide Landlord's Access Control Systems during the Term of this Lease. Landlord reserves the right, but without assuming any duty, to institute additional access control measures in order to further

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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control and regulate access to the Building or any part thereof. Except as provided in **Exhibit “F”**, Landlord shall not, under any circumstances, be responsible for providing or supplying security services to the Datacenter, the Tenant Space or any part of the Building in excess of the Landlord’s Access Control Systems (and, unless expressly agreed in writing by Landlord, Landlord shall not under any circumstances be **deemed** to have agreed to provide any access control services in excess of the Landlord’s Access Control Systems). Tenant acknowledges and agrees that the activities of all persons in the Datacenter are and shall be subject to surveillance by video camera and/or otherwise by Landlord’s agents and employees.

**7.2 Landlord’s Essential Services** . Landlord’s agreement to provide Landlord’s Essential Services and Tenant’s remedies for Interruptions of Landlord’s Essential Services, are described on **Exhibit “F”**, attached hereto. Landlord shall install temperature sensors under the floor of the Tenant Space at either end and in the middle of each cold aisle with the Tenant Space (the “**Required Temperature Sensor s**”). Landlord shall use its best efforts to make available to Tenant results of the temperature monitoring provided by such sensors throughout the Term of the Lease.

**7.3 Customer Handbook**. Landlord agrees, throughout the Term of the Lease, to operate the Datacenter in accordance with the Digital Realty Trust “Customer Handbook”, Version 2.9 dated January 28, 2016 (“Handbook”), as it may be modified by Landlord from time to time; provided that: (i) Landlord shall give Tenant at least thirty (30) days prior written notice of any modifications to the Handbook, and (ii) any modifications to the Handbook shall be consistent with the then current manner of operation of the other datacenters operated by Digital Realty Trust and its affiliates in Virginia.

**7.4 Interruption of Services** . Landlord shall not be liable or responsible to Tenant for any loss, damage or expense of any type which Tenant may sustain or incur if the quantity or character of the **utility-provide** d electric service is changed, is no longer available, or is no longer suitable for Tenant’s requirements for any reason other than the fault of Landlord. Additionally, except as expressly set forth on **Exhibit “F”**, attached hereto, with regard to Interruptions of Landlord’s Essential Services, no interruption or malfunction of any electrical or other service to the Premises, or to any other portion of the Building or Property, shall, in any event, (i) constitute an eviction or disturbance of Tenant’s use and possession of the Tenant Space, (ii) constitute a breach by Landlord of any of Landlord’s obligations under this Lease, (iii) render Landlord liable for damages of any type or entitle Tenant to be relieved from any of Tenant’s obligations under this Lease (including the obligation to pay Base Rent, Additional Rent, or other charges), (iv) grant Tenant any right of setoff or recoupment, (v) provide Tenant with any right to terminate this Lease, or (vi) make Landlord liable for any injury to or interference with Tenant’s business or any punitive, incidental or Consequential Damages, whether foreseeable or not, whether arising from or relating to the making of or failure to make any repairs, alterations or improvements, or whether arising from or related to the provision of or failure to provide for or to restore any service in or to any portion of the Property, the Building or the Datacenter. In the event of the interruption of any such service, however, Landlord shall employ commercially reasonable efforts to restore such service or cause the same to be restored in any circumstances in which such restoration is within the reasonable control of Landlord.

## **7.5 Remote Hands Services.**

**7.5.1 Remote Hands Services** . Landlord, or an affiliate of Landlord, or an independent contractor on behalf of Landlord or such affiliate, offers certain limited services with regard to Tenant’s Personal Property (as the same may be offered from time to time, “**Remote Hands**”) at an additional cost (the party providing the Remote Hands services - whether it is Landlord, an affiliate of Landlord or an independent contractor, is referred to herein as “**RH Provider**”). For the avoidance of doubt, however, Remote Hands services shall not be available from RH Provider beyond the point at which a login prompt appears on Tenant’s Personal Property and the provision of Remote Hands services shall be subject to the terms of this Lease. The current list of available Remote Hands services (the “**Current Remote Hands Services**”), as of the Effective Date of this Lease, is attached hereto as **Exhibit “I”** (the “**Remote Hands Addendum**”). However, Landlord (on RH Provider’s behalf) reserves the right to modify the list of available Remote Hands services and/or the period(s) of time during which such services are available, from time to time, by written notice to Tenant. Notwithstanding anything to the contrary contained herein, in no event shall RH Provider be liable or responsible, in connection with the Remote Hands services, for the repair, configuration, tuning or installation of Tenant’s Personal Property or the Premises or any damage or loss caused by Remote Hands services, except to the extent that Landlord would have been liable under the terms of this Lease for such activities if the same had been performed by Landlord.

**7.5.2 Process for Ordering Remote Hands Services** . Tenant must request and utilize RH Provider’s Remote Hands services by virtue of placing an order for such service sending an e-mail request to [customerservice@digitalrealty.com](mailto:customerservice@digitalrealty.com) (or to such other person or to such other place as Landlord, or the RH Provider may from time to time designate in writing to Tenant). Once received, RH Provider will generate a work order (which will describe the requested Remote Hands services and will describe the price for same, if any). Upon RH Provider’s receipt of a signed work order from Tenant, RH Provider will schedule the work.

## **8. MAINTENANCE; ALTERATIONS; REMOVAL OF TENANT’S PERSONAL PROPERTY.**

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**8.1 Landlord's Maintenance.** Except as expressly provided in this Section 8.1, Landlord shall have no obligation to repair and/or maintain the Tenant Space. Landlord will maintain and keep in good repair the Pathway, the PDUs serving the Premises, Landlord's Access Control Systems, the HVAC system serving the Premises, the UPS Plant serving the Premises, the Back-Up Power, the fire suppression systems serving the Premises, the Common Area cable management systems (comprised of ladder racks, fiber trays, under-floor cable trays and other similar equipment located within the Common Areas that are installed for the benefit of all tenants of the Building), all other common utility systems, the floors and foundation of the Building, the exterior walls and windows of the Building, the roof of the Building, the Common Areas, the Common Area HVAC system within the Building, and all other structural portions of the Building.

8.1.1 **PM Standards** . Tenant acknowledges that Landlord's PM Standards shall be updated on at least an annual basis. Landlord shall provide Tenant with Landlord's PM Schedule as far in advance as is reasonably practicable. Landlord agrees to perform the PM Activities, to substantially adhere to the then current PM Schedule in connection with such performance, and, except in an emergency, to give Tenant at least seven (7) calendar days' written notice prior to any change in the PM Schedule.

8.1.2 **Tenant's PM Audit** . During the Term, Tenant shall have the right, once per rolling six (6) month period, to perform a PM Audit. Tenant shall exercise the foregoing right by delivering its PM Audit Notice to Landlord no less than thirty (30) days before the date upon which Tenant desires to perform its PM Audit. The PM Audit Notice must detail the equipment for which Tenant wishes to inspect the PM Books and Records. Any such PM Audit shall be performed during Landlord's normal business hours at a time and location within the Building reasonably designated by Landlord. Landlord shall respond to Tenant's PM Audit Notice within five (5) business days after Landlord's receipt of Tenant's PM Audit Notice with the date, time and location of Tenant's PM Audit. If Tenant's PM Audit reveals that Landlord is delinquent in complying with the PM Schedule, Tenant shall deliver written notice to Landlord of such delinquency, and Landlord shall cure such delinquency within the time allowed pursuant to Section 16.1.1 of this Lease.

8.1.3 **PM Change** . In connection with the foregoing, in the event that Tenant desires that Landlord make a PM Change, Tenant agrees to provide Landlord a PM Change Request no fewer than **twenty (20) calendar day**s prior to the next scheduled occurrence of the PM Activity to which the PM Change Request applies. In the event that Landlord is reasonably able to accommodate the PM Change, Landlord shall provide Tenant PM Change Cost Estimate, within three (3) business days after Landlord's receipt of the PM Change Request. Tenant agrees to notify Landlord within five (5) business days after Tenant's receipt of the PM Change Cost Estimate as to whether or not Tenant elects to have the PM Change implemented. If Tenant timely elects to have the PM Change implemented, Tenant shall pay Landlord the actual incremental amount of the costs incurred by Landlord in connection with the PM Change within thirty (30) calendar days after Tenant's receipt of an invoice for same from Landlord.

**8.2 Tenant's Maintenance** . During the Term of this Lease, Tenant shall, at Tenant's sole cost and expense, maintain the non-structural portions of the Tenant Space and Tenant's equipment therein in good order and condition. If Tenant fails to maintain the non-structural portions of the Tenant Space as required by the foregoing sentence, or if Tenant or any of Tenant's technicians or representatives physically damages the Property, the Building or any portion of the Building or the Property, or the personal property of any other tenant or occupant, or causes an interruption of services to the Premises, the Datacenter and/or in the Building, Landlord may, but shall not be obligated to: (i) perform the maintenance and repair which Tenant was required to perform, (ii) repair the damage caused by Tenant or its technicians or representatives, or (iii) restore such interruption of services, as the case may be, and any reasonable amounts expended by Landlord in connection therewith, plus an administrative charge of ten percent (10%) of such amounts, shall be reimbursed by Tenant to Landlord as Additional Rent within thirty (30) calendar days after Landlord's demand therefor.

### **8.3 Alterations.**

8.3.1 Except as expressly permitted under this Lease or as otherwise authorized by Landlord in writing, Tenant shall not make or cause to be made any Alterations to the Tenant Space, the Datacenter, or any other portion of the Building or Property without the prior written consent and approval of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. The foregoing notwithstanding, Landlord's consent shall not be required for any usual and customary installations, repairs, maintenance, and removals of equipment and telecommunication cables within the Tenant Space if and to the extent that such installations, repairs, maintenance, and removals (i) are usual and customary within the industry, (ii) are in compliance with the Datacenter Rules and Regulations, and (iii) will not affect the Building's structure, the provision of services to other Building tenants, or the Building's electrical, plumbing, HVAC, life safety or mechanical systems. Landlord and Tenant acknowledge and agree that (a) Landlord's Installations are hereby deemed to be Alterations hereunder; and (b) all Alterations shall be left as part of the Tenant Space without any obligation on Tenant's part to remove the same, upon the expiration or earlier termination of this Lease, in good and operable condition, ordinary wear and tear excepted, and damage caused by a Casualty Event, Taking, or the default of Landlord excepted.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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8.3.2 Each request for Alterations consent must contain one (1) full size hard copy of all drawings together with one (1) full set of drawings on CD.

8.3.3 In any instance where Tenant desires to conduct Alterations, Tenant's contractors, laborers, material men and others furnishing labor or materials for Tenant's job must work in harmony, and not interfere, with any labor utilized by Landlord, Landlord's contractors or mechanics or by any other tenant or such other tenant's contractors or mechanics; and if at any time such entry by one (1) or more persons furnishing labor or materials for Tenant's work shall cause disharmony or interference for any reason whatsoever without regard to fault, the consent granted by Landlord to Tenant and/or the express or implied permission for such persons to enter the Premises may be withdrawn at any time upon written notice to Tenant. Additionally, all such contractors, laborers, material men and others must obtain (and provide Landlord evidence of) such insurance as Landlord may reasonably require, prior to any such entry; provided that, in no event shall such insurance requirements exceed those that are described on **Exhibit "B-1"**, attached hereto.

**8.4 Removal of Tenant's Personal Property** . Tenant agrees that, upon the expiration, or on or before the date ten (10) calendar days prior to the earlier termination, of the Term this Lease, Tenant shall at Tenant's sole cost and expense, promptly remove all of Tenant's Personal Property, and shall restore those portions of the Building, the Datacenter, and/or the Tenant Space damaged by such removal of (or by the initial installation of) such Tenant's Personal Property to their condition existing immediately prior to the installation or placement of such items (including the replacement of all damaged floor tiles in the Premises), ordinary wear and tear, and damage caused by a Casualty Event, Taking or default of Landlord excepted. If Tenant fails to promptly remove any such Tenant's Personal Property pursuant to this Section 8.4, Landlord shall have the right to cause the removal of such Tenant's Personal Property and the restoration of those portions of the Building, the Datacenter, and/or the Tenant Space damaged by such removal to their condition existing immediately prior to the installation or placement of such Tenant's Personal Property, ordinary wear and tear, and damage caused by a Casualty Event, Taking or default of Landlord excepted, in which case Tenant agrees to reimburse Landlord within thirty (30) days of Landlord's demand therefor, for all of Landlord's reasonable costs of removal and restoration plus an administrative fee equal to ten percent (10%) of such costs.

## **9. CASUALTY EVENTS; TAKINGS; INSURANCE.**

### **9.1 Casualty Events; Takings.**

9.1.1 **Casualty Events** . If, during the Term of this Lease, any portion of the Building, the Datacenter, or the Tenant Space shall be damaged or destroyed, in whole or in part, by a Casualty Event, Landlord shall, subject to the terms of this Section 9.1.1, and Sections 9.1.1.1 and 9.1.1.2, below, cause the Casualty Repair to occur. Landlord shall provide the Casualty Repair Notice to Tenant as soon as is reasonably practicable following the Casualty Event. For the avoidance of doubt, however, such repair and reconstruction obligation shall not be deemed to include any obligation on the part of Landlord with regard to any Alteration other than Landlord's Installations, nor any of Tenant's Personal Property.

9.1.1.1 **Landlord's Termination Right** . Notwithstanding the foregoing, in the event that the Repair Period-Estimated exceeds ninety (90) calendar days, Landlord shall have the right to terminate this Lease by, and effective upon, written notice to Tenant as part of the Casualty Repair Notice.

9.1.1.2 **Tenant's Termination Right** . If (a) a Casualty Event causes damage to the Tenant Space, or (b) a Casualty Event causes damage to the Building, such that Tenant is prevented from accessing the Premises or the Tenant Space is unfit for use by Tenant in the ordinary course of Tenant's business, then Tenant shall have the right to terminate this Lease by, and effective upon, written notice to Landlord if (i) the Repair Period-Estimated exceeds one hundred twenty (120) calendar days (in which case Tenant must provide written notice to Landlord of such termination within ten (10) business days after Tenant's receipt of the Casualty Repair Notice), or (ii) the Repair Period-Actual exceeds ninety (90) calendar days (in which case Tenant must provide written notice to Landlord of such termination prior to the one hundredth (10<sup>th</sup>) calendar day of the Repair Period-Actual).

9.1.1.3 **Casualty-Complete** . The foregoing notwithstanding, in the event of a Casualty-Complete, this Lease shall automatically terminate as of the date of the Casualty-Complete.

9.1.1.4 **Rent Abatement - Casualty Events** . In the event that this Lease is terminated pursuant to Sections 9.1.1.1, 9.1.1.2 or 9.1.1.3, above, Landlord shall refund to Tenant any prepaid Base Rent, less any sum then owing to Landlord by Tenant. If, however, this Lease is not terminated pursuant to any of said Sections, then the Base Rent and Tenant's Proportionate Share of Taxes - Property payable by Tenant with respect to the Tenant Space shall be abated proportionately during the Repair Period-Actual to the extent that the Tenant Space (i) is unfit for use by Tenant in the ordinary conduct of Tenant's

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business, and (ii) actually is not used by Tenant.

#### 9.1.2 Takings.

9.1.2.1 **Total Taking** . If all or substantially all of the Tenant Space, the Building or the Property shall be the subject of a Taking, this Lease shall terminate as of the date of the vesting of title in the condemning authority.

9.1.2.2 **Partial Taking** . If only a part of the Tenant Space, the Building or the Property shall be the subject of a Taking, this Lease shall continue in full force and effect, subject to the terms of Sections 9.1.2.3-9.1.2.7, below.

9.1.2.3 **Landlord's Termination Right - Partial Taking** . If the part of the Building or the Property that is taken or condemned as part of the Taking contains a part of the Tenant Space, the Building or the Property that, in Landlord's reasonable discretion, is material to the operation of the Tenant Space, Landlord may terminate this Lease by notice to Tenant given within sixty (60) days following the date upon which Landlord received notice of such Taking. If Landlord so notifies Tenant, this Lease shall terminate upon the date set forth in the notice, which date shall not be more than thirty (30) days following the giving of such notice.

9.1.2.4 **Tenant's Termination Right - Partial Taking** . If, by reason of a Taking of part of the Building or the Property Tenant no longer has reasonable means of access to the Tenant Space, or the Tenant Space is unfit for use by Tenant in the ordinary course of Tenant's business, Tenant may terminate this Lease by notice to Landlord given within sixty (60) days following the date upon which Tenant received notice of such Taking. If Tenant so notifies Landlord, this Lease shall terminate upon the date set forth in the notice, which date shall not be more than thirty (30) days following the giving of such notice.

9.1.2.5 **Restoration - Taking** . If this Lease shall not have been terminated pursuant to Sections 9.1.2.3 or 9.1.2.4, above, Landlord, at Landlord's expense, shall, as soon as is reasonably practicable, restore that part of the Tenant Space that was not taken or condemned as part of the Taking to a self contained rental unit substantially equivalent (with respect to character, quality, appearance and services) to that which existed immediately prior to occurrence of the Taking, excluding Tenant's Personal Property; provided, however, that in the event Tenant receives an award for Tenant's Alterations, such amounts shall be applied towards the restoration of such items.

9.1.2.6 **Rent Abatement - Taking** . In the event that this Lease is terminated pursuant to Sections 9.1.2.1, 9.1.2.3 or 9.1.2.4, above, Landlord shall refund to Tenant any prepaid Base Rent and Tenant's Proportionate Share of Taxes - Property, less any sum then owing to Landlord by Tenant. If, however, this Lease is not terminated pursuant to any of said Sections, Base Rent shall be reduced proportionately to the extent that the Premises is reduced as a result of the Taking.

9.1.2.7 **Taking Award Rights** . Landlord reserves the right to receive the entirety of the condemning authority's award related to a Taking of any portion of the Property. The foregoing notwithstanding, in the event that this Lease is terminated in connection with any Taking, Landlord expressly permits Tenant to make a separate claim against the condemning authority, in any appropriate proceeding, for the value of Tenant's unamortized, but taken, leasehold improvements or other improvements to the Tenant Space made by Tenant and for Tenant's moving expenses related to such Taking, but only if such claim and/or recovery does not reduce the condemnation/taking award otherwise payable to Landlord in connection with such Taking. If any such award that is made, or compensation that is paid, to either party specifically includes an award or amount for the other, the party first receiving the same shall promptly make an accounting of same to the other.

9.1.3 **Tenant's Remedy** . Tenant's termination rights and rights to abatement of Base Rent and Tenant's Proportionate Share of Taxes - Property, to the extent provided above in this Article 9, shall be Tenant's sole and exclusive remedies in the event of a Casualty Event or Taking. Notwithstanding anything to the contrary contained herein, however, if any Casualty Event is caused by any act of willful misconduct of Tenant or any Tenant Party, then Tenant shall not be entitled to terminate this Lease under Section 9.1.1.2, and there shall be no abatement of any Base Rent (or any other Rent or other amounts) due hereunder.

**9.2 Tenant's Insurance** . Tenant shall, at Tenant's expense, procure and maintain throughout the Term of this Lease a policy or policies of insurance in accordance with the terms and requirements set forth in **Exhibit "B-1"** to this Lease. All of Tenant's insurance policies with respect to the Tenant Space shall be endorsed so as to include a waiver of subrogation in accordance with and to the full extent of Tenant's waiver of claims with respect to the Landlord Group set forth in Section 14.1.1 of this Lease.

9.2.1 The commercial general liability policies procured by Tenant hereunder shall name Landlord and Landlord's managing agent, and any Holders designated by Landlord as additional insureds. Prior to occupying the Tenant Space, and prior to the expiration of each such policy, Tenant shall submit to Landlord certificates of insurance evidencing such policies (and the applicable renewals thereof) being in effect. All insurance policies procured hereunder shall contain a provision stating

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that the insurer shall endeavor to provide at least thirty (30) days' written notice to Landlord and all others named as additional insureds prior to any cancellation or material modification of such policy. If Tenant does not deliver to Landlord a certificate or other proof of renewal or coverage from an insurance carrier at least ten (10) business days prior to the expiration dates of each expiring policy, Landlord may, if Tenant has not cured such default within five (5) business days after receipt of written notice from Landlord, obtain such insurance on behalf of Tenant, and Tenant shall, within ten (10) days after Landlord's demand therefor, pay to Landlord an amount equal to the cost of such insurance policies plus an administrative surcharge of ten percent (10%).

**9.3 Landlord's Insurance.** Landlord shall, at Landlord's expense, procure and maintain throughout the Term of this Lease a policy or policies of insurance in accordance with the terms and requirements set forth in **Exhibit "B-2"** to this Lease. Each of such insurance policies shall be endorsed so as to include a waiver of subrogation in accordance with and to the full extent of Landlord's waiver of claims with respect to the Tenant Group set forth in Section 14.1.2 of this Lease. For the avoidance of doubt, however, Landlord and Tenant acknowledge and agree that, in no event, shall Landlord be obligated to carry any insurance covering any of Tenant's Personal Property, any Alteration to the Tenant Space made by or on behalf of Tenant, or covering any Tenant Party, other than Landlord's Installations.

## **10. TRANSFERS.**

**10.1 Restrictions on Transfers; Landlord's Consent .** Except as otherwise expressly set forth in Section 10.1.1 and Section 10.5, below, to the contrary, Tenant shall not effect a Transfer, without Landlord's express prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Except as otherwise expressly set forth in this Lease, no Transfer (whether voluntary, involuntary or by operation of law) shall be valid or effective without Landlord's prior written consent and, at Landlord's election, any such Transfer or attempted Transfer shall constitute an Event of Default by Tenant under Section 15.1.2 of this Lease.

**10.1.1 Permitted Transfer .** Tenant may, without the consent of Landlord (and without being subject to Landlord's recapture rights under Section 10.3, below) undertake Permitted Transfers.

**10.2 Notice to Landlord .** If Tenant desires to make any Transfer (other than a Permitted Transfer, for which Tenant must merely notify Landlord prior to the occurrence of same), then at least twenty (20) business days (but no more than one hundred eighty (180) days) prior to the proposed effective date of the Transfer, Tenant shall submit a Transfer Notice to Landlord. If, thereafter, Tenant modifies any of the terms and conditions relevant to a proposed Transfer specified in the Transfer Notice, Tenant agrees to re-submit such Transfer Notice to Landlord for its consent pursuant to all of the terms and conditions of this Article 10.

**10.3 Landlord's Recapture Rights .** Except with regard to a Permitted Transfer, at any time within twenty (20) business days after Landlord's receipt of all (but not less than all) of the information and documents described in Section 10.2, Landlord shall have the right (but not the obligation), exercisable by written notice to Tenant, to elect to cancel and terminate this Lease; provided however, that if the proposed Transfer is a sublease or other Transfer of only a portion of the Tenant Space and/or for a portion of the remaining Term, Landlord shall only have the right to terminate (or suspend, as the case may be) the Lease with respect to the portion of the Tenant Space for the portion of the remaining Term which Tenant proposes to sublease or transfer. If Landlord exercises its right to terminate or suspend the Term of the Lease with respect to only a portion of the Tenant Space, then the Base Rent and Tenant's Proportionate Share shall be reduced based pro-rata for the time period of such termination or suspension based upon the reduction in the electrical capacity available to Tenant in the remaining portion of the Tenant Space.

**10.4 No Release; Subsequent Transfers .** No Transfer (whether or not a Permitted Transfer) will release the undersigned Tenant from Tenant's obligations under this Lease or alter the primary liability of the undersigned Tenant to pay the Rent and to be responsible for the performance of all Tenant's obligations hereunder. In no event shall the acceptance of any payment by Landlord from any other person be deemed to be a waiver by Landlord of any provision hereof. Consent by Landlord to one Transfer will not be deemed consent to any subsequent Transfer. In the event of breach by any Transferee in the performance of any of the terms hereof, Landlord may proceed directly against the undersigned Tenant without the necessity of exhausting remedies against such Transferee.

**10.5 Colocation .** Landlord acknowledges that the business to be conducted by the undersigned Tenant in the Premises may require Tenant to enter into Colocation Agreements that will permit Colocation Parties to engage in Colocation Activities. Landlord expressly agrees that Tenant may, without Landlord's consent, enter into such Colocation Agreements; provided, however, that (a) the Colocation Agreements, and each Colocation Party's use of the Tenant Space, must comply with the terms of this Lease (including the Datacenter Rules and Regulations) and all Applicable Laws; (b) the Colocation Agreements, and the Colocation Parties' rights thereunder, shall be subject and subordinate at all times to this Lease and all of its provisions, covenants and conditions; and (c) in no event may the rights of any Colocation Party, *vis a vis* the members of the Landlord Group, be greater

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than the rights of Tenant hereunder. Anything to the contrary contained herein notwithstanding, Landlord and Tenant acknowledge and agree that the Colocation Agreements shall not constitute, or be deemed to be, the grant of a leasehold interest, or otherwise constitute, or be deemed to be, a real property interest.

**10.6 Excess Rent** . Landlord and Tenant agree that, if Tenant assigns this Lease, or subleases any part of the Tenant Space, for any Excess Rent, then Tenant shall pay to Landlord, as Additional Rent, fifty percent (50%) of any such Excess Rent immediately upon Tenant's receipt thereof.

## **11. ESTOPPEL CERTIFICATE S.**

**11.1 Estoppel Certificate by Tenant** t. At any time and from time to time, within ten (10) business days after written request by Landlord, Tenant shall execute, acknowledge and deliver to Landlord a statement in writing certifying all matters reasonably requested by Landlord and/or any prospective purchaser of the Building and/or the Property and/or any Holder. Tenant acknowledges and agrees that any statement delivered (or to be delivered) pursuant to this Article 11 may be relied upon by Landlord and any prospective purchaser of the Building and/or the Property and by any current and/or prospective Holder, and any assignee of any such Holder.

**11.2 Estoppel Certificate by Landlord** d. At any time and from time to time, within ten (10) days after written request by Tenant, Landlord shall execute, acknowledge and deliver to Tenant a statement in writing certifying all matters reasonably requested by Tenant or any current or prospective transferee of Tenant's, purchaser of Tenant or any current or prospective lender to Tenant or such transferee, including the nature of known defaults by Tenant under the Lease, if any. Landlord acknowledges and agrees that any statement delivered (or to be delivered) pursuant to this Article 11 may be relied upon by any current or prospective transferee and/or purchaser of Tenant, and/or any lender to Tenant or such transferee.

## **12. SUBORDINATION AND ATTORNMENT; HOLDER RIGHT S.**

**12.1 Subordination and Attornment** . Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, and at the election of Landlord or any Holder, this Lease will be subject and subordinate at all times to all Security Documents, which may now exist or hereafter be executed which constitute a lien upon or affect the Property or any portion thereof, or Landlord's interest and estate in any of said items. Notwithstanding the foregoing, Landlord reserves the right to subordinate (or cause the subordination of) any such Security Documents to this Lease. In the event of any termination or transfer of Landlord's estate or interest in the Property, the Building, the Datacenter or the Tenant Space by reason of any termination or foreclosure of any such Security Documents (and notwithstanding any subordination of such Security Document to this Lease that may or may not have occurred), at the election of Landlord's successor in interest, Tenant agrees to attorn to and become the tenant of such successor, in which event Tenant's right to possession of the Premises will not be disturbed as long as Tenant is not in default under this Lease. Tenant hereby waives any right under any Applicable Law or otherwise to terminate or otherwise adversely affect this Lease and the obligations of Tenant hereunder in the event of any termination or transfer of Landlord's estate or interest in the Property, the Building, the Datacenter, or the Tenant Space by reason of any termination or foreclosure of any such Security Documents. Tenant covenants and agrees to execute and deliver, within ten (10) business days after receipt thereof, and in the form reasonably required by Landlord or any Holder, any additional documents evidencing the priority or subordination of this Lease and Tenant's agreement to attorn with respect to any such Security Document; provided, however, any such agreement subordinating this Lease to such lease, mortgage or deed of trust shall contain a non-disturbance provision that is reasonably acceptable to such Holder, Landlord and Tenant in accordance with Section 12.3, below.

**12.2 Holder Protection** . Tenant agrees to give each Noticed Holder, by registered or certified mail, a copy of any notice of default served upon the Landlord by Tenant. Tenant further agrees that if Landlord shall have failed to cure such default within thirty (30) days after such notice to Landlord (or if such default cannot be cured or corrected within that time, then within such additional time as may be necessary if Landlord has commenced such cure within such thirty (30) days and is diligently pursuing the remedies or steps necessary to cure or correct such default), then, prior to Tenant pursuing any remedy for such default provided hereunder, at law or in equity, any Noticed Holder shall have an additional thirty (30) days within which to cure or correct such default (or if such default cannot reasonably be cured or corrected within that time, then such additional time as may be necessary if the Noticed Holder has commenced within such thirty (30) days and is diligently pursuing the remedies or steps necessary to cure or correct such default).

**12.3 SNDA** . At any time that the Building is hereafter made subject to any Security Document(s), Landlord shall use commercially reasonable good faith efforts to cause the Holder to deliver an SNDA to Tenant. Notwithstanding anything herein to the contrary, the subordination of this Lease to any Security Document hereafter placed upon the Building, and Tenant's agreement to attorn to the Holder as provided in this Article 12, shall be conditioned upon the Holder entering into an SNDA.

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12.3.1 Landlord represents to Tenant that, as of the Effective Date of this Lease, there is no mortgage affecting the Building.

### 13. SURRENDER OF TENANT SPACE; HOLDING OVER.

**13.1 Tenant's Method of Surrender** . Upon the expiration of the Term of this Lease, or upon any earlier termination of this Lease or the termination of Tenant's right to possess the Tenant Space, Tenant shall, subject to the provisions of this Article 13 and Section 8.4, quit and surrender possession of the Tenant Space to Landlord in good working order and clean condition, ordinary wear and tear, and damage caused by a Casualty Event, Taking or a default of Landlord excepted.

**13.2 Disposal of Tenant's Personal Property** . If any property not belonging to Landlord remains in the Tenant Space after the expiration of, or within fifteen (15) calendar days after any earlier termination of, the Term of this Lease or the termination of Tenant's right to possess the Tenant Space, Tenant shall be deemed to have abandoned such property and to have authorized Landlord to make such disposition of such property as Landlord may desire without liability for compensation or damages to Tenant or any other Tenant Party.

**13.3 Holding Over** . If Tenant should remain in possession of all or any portion of the Tenant Space after the expiration of the Term of this Lease (or any earlier termination of this Lease or the termination of Tenant's right to possess the Tenant Space), without the execution by Landlord and Tenant of a new lease or an extension of the Term of this Lease, then Tenant shall be deemed to be occupying the entire Tenant Space as a tenant-at-sufferance, upon all of the terms contained herein, except as to term and Base Rent and any other provision reasonably determined by Landlord to be inapplicable. During any such holdover period, Tenant shall pay to Landlord a monthly Base Rent in an amount equal to the Hold Over Percentage, as hereinafter defined, of the Base Rent payable by Tenant to Landlord during the last month of the Term of this Lease and one hundred percent (100%) of the Additional Rent payable by Tenant to Landlord during the last month of the Term of this Lease. The "**Hold Over Percentage**" shall be defined as 150% for the first sixty (60) days of hold over in the Tenant Space by Tenant, or anyone claiming by, through or under Tenant after the expiration of the Term of this Lease (or any earlier termination of this Lease or the termination of Tenant's right to possess the Tenant Space) and 200% for any period of hold over by Tenant after the first sixty (60) days. The monthly rent payable for such holdover period shall in no event be construed as a penalty or as liquidated damages for such retention of possession, nor shall such monthly rent be considered to be any form of Consequential Damages related to such retention of possession. Neither any provision hereof nor any acceptance by Landlord of any rent after any such expiration or earlier termination shall be deemed a consent to any holdover hereunder or result in a renewal of this Lease or an extension of the Term, or any waiver of any of Landlord's rights or remedies with respect to such holdover. As such, and notwithstanding any provision to the contrary contained herein, Landlord expressly reserves the right to require Tenant to surrender possession of the Tenant Space upon the expiration of the Term of this Lease or upon the earlier termination hereof or at any time during any holdover and the right to assert any remedy at law or in equity to evict Tenant and collect damages in connection with any such holdover.

**13.4 Survival** . The provisions of this Article 13 shall survive the expiration or early termination of this Lease.

### 14. WAIVERS; INDEMNIFICATION; CONSEQUENTIAL DAMAGES; LIEN S.

#### 14.1 Waivers.

14.1.1 Tenant hereby waives its rights against the Landlord Group with respect to any claims, damages or losses for bodily injury to persons and/or damage to any Tenant's Personal Property, which are caused by or result from (i) risks insured against under any insurance policies which are required to be obtained and maintained by Tenant under this Lease, and were, in fact, carried by Tenant at the time of such claim, damage, loss or injury, or (ii) risks which would have been covered under any insurance required to be obtained and maintained by Tenant under this Lease had such insurance been obtained and maintained as required, including all such claims, damages and losses, which are caused by or result from the negligence or willful misconduct of any member of the Landlord Group. The foregoing waivers shall be in addition to, and not a limitation of, any other waivers or releases contained in this Lease.

14.1.2 Landlord hereby waives its rights against the Tenant Group with respect to any claims, damages or losses for bodily injury to persons and/or for damage to the Building, the Property and/or Landlord's equipment and fixtures, which are caused by or result from (i) risks insured against under any insurance policies which are required to be obtained and maintained by Landlord under this Lease and that were, in fact, carried by Landlord at the time of such claim, damage, loss or injury, or (ii) risks which would have been covered under any insurance required to be obtained and maintained by Landlord under this Lease had such insurance been obtained and maintained as required, including all such claims, damages and losses, which are caused by or result from the negligence or willful misconduct of any member of the Tenant Group. The foregoing waivers shall be in addition to, and not a limitation of, any other waivers or releases contained in this Lease.

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## 14.2 Indemnifications.

### 14.2.1 Indemnification by Tenant.

14.2.1.1 To the maximum extent permitted law, but subject to Sections 9.3 and 14.1, Tenant hereby agrees to indemnify, defend, and hold harmless Landlord and the other members of the Landlord Group from and against (and to reimburse Landlord and the other members of the Landlord Group for) any and all Claims arising from and/or in connection with:

(i) the use or occupancy of the Tenant Space or any portion of the Building or the Property by Tenant or any other Tenant Party and/or any person claiming by, through or under Tenant or any other Tenant Party, including:

- (a) Claims related to any Colocation Agreement;
- (b) the acts or omissions of any Colocation Party;
- (c) the payment (or non-payment) of Taxes - Equipment;
- (d) the malfunctioning of Tenant's Security System;
- (e) Claims related to any of Tenant's Personal Property;

(f) Claims by any Tenant Party (or any individual accessing the Tenant Space on any Tenant Party's behalf) for bodily injury;

(g) Tenant's failure to surrender the Tenant Space upon the expiration or any earlier termination of this Lease or the termination of Tenant's right to possess the Tenant Space in accordance with the terms of this Lease (including third party Claims for Consequential Damages related to such failure); and

(h) the removal, exercise of dominion over and/or disposition of any of Tenant's Personal Property that is left in the Tenant Space after the expiration of the Term in violation of Section 13.2 (including third party Claims for Consequential Damages related to such removal).

(ii) injuries to persons or damage to property to the extent caused by the active gross negligence or willful misconduct of Tenant or any other Tenant Party with respect to the Tenant Space, the Building or the Property;

(iii) any person or entity making a claim for any commission or other compensation in connection with the execution of this Lease or the leasing of the Tenant Space to Tenant if based on an allegation that such claimant dealt through Tenant.

14.2.1.2 In the event that any Claim for which Landlord is entitled to indemnification under this Lease is brought against Landlord or any other member of the Landlord Group, Tenant, upon notice from Landlord, shall defend such action or proceeding at Tenant's cost and expense. Tenant agrees that no settlement offer that involves the admission of liability by Landlord or obligation to make payment or pay damages shall be offered or accepted by Tenant in connection with any such indemnification and/or defense without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. This indemnity provision and Tenant's obligations under this Section 14.2 shall survive the expiration or termination of this Lease as to any matters arising prior to such expiration or termination or prior to Tenant vacating the Tenant Space and the Building. Notwithstanding any provision to the contrary contained in this Section 14.2, nothing contained in this Section 14.2 shall be interpreted or used in any way to affect, limit, reduce or abrogate any insurance coverage provided by any insurer to either Tenant or Landlord.

14.2.2 Subject to the limitations on Landlord's liability expressly set forth in this Lease, Landlord hereby agrees to defend, indemnify and hold harmless Tenant and the Tenant Parties from and against (and to reimburse Tenant and any Tenant Parties for) all third party Claims to the extent arising from, in connection with, or in any manner relating to (or alleged to arise from, to be in connection with, or to be in any manner related to) (a) injuries to persons to the extent caused by the acts of negligence or willful misconduct of Landlord or any member of the Landlord Group at the Property, and (b) damage to property to the extent caused by the acts of gross negligence or willful misconduct of Landlord or any member of the Landlord Group at the Property, provided however, that the foregoing indemnification obligations contained in this Section 14.2.2 shall not include the obligation of Landlord to indemnify any Tenant Party to the extent that such claims are caused directly or indirectly, by the

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active or passive, joint, concurrent, or comparative negligence of any Tenant Party.

14.2.2.1 In the event that any Claim for which Tenant is entitled to indemnification under this Lease is brought against Tenant or any other member of the Tenant Group, Landlord, upon notice from Tenant, shall defend such action or proceeding at Landlord's cost and expense. Landlord agrees that no settlement offer that involves the admission of liability by Tenant or obligation to make payment or pay damages shall be offered or accepted by Tenant in connection with any such indemnification and/or defense without Tenant's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. This indemnity provision and Landlord's obligations under this Section 14.2 shall survive the expiration or termination of this Lease as to any matters arising prior to such expiration or termination or prior to Tenant vacating the Tenant Space and the Building. Notwithstanding any provision to the contrary contained in this Section 14.2, nothing contained in this Section 14.2 shall be interpreted or used in any way to affect, limit, reduce or abrogate any insurance coverage provided by any insurer to either Landlord or Tenant.

**14.3 Consequential Damages** . Notwithstanding anything to the contrary (express or implied) contained herein, except with regard to Tenant's obligations to indemnify Landlord, as expressly set forth in Section 14.2.1.1(i)(g) and (h) above, under no circumstances whatsoever shall Landlord or Tenant ever be liable under this Lease for first-party or third-party Consequential Damages.

**14.4 Liens** . Notwithstanding anything to the contrary herein, in no event shall Tenant have any right (express or implied) to create or permit there to be established any lien or encumbrance of any nature against the Tenant Space, the Building or the Property or against Landlord's or Tenant's interest therein or hereunder, including for any improvement or improvements by Tenant, and Tenant shall fully pay the cost of any improvement or improvements made or contracted for by Tenant. Tenant shall require each contractor which it engages to perform any improvements or alterations within the Tenant Space or elsewhere in the Building or the Property, to acknowledge and agree in writing that it is performing its work under its agreement with Tenant solely for the benefit of Tenant and that Tenant is not acting as Landlord's agent. Any mechanic's lien filed against the Tenant Space, the Building or the Property, or any portion of any of the above, for work claimed to have been done, or materials claimed to have been furnished to Tenant, shall be duly discharged by Tenant, by bonding or otherwise, within thirty (30) calendar days after the later of: (i) filing of the lien, or (ii) Tenant being made aware of the lien.

## 15. TENANT DEFAULT.

**15.1 Events of Default By Tenant** . Each of the following shall constitute an Event of Default by Tenant under this Lease:

15.1.1 Any failure or refusal by Tenant to timely pay any Rent or any other payments or charges required to be paid hereunder, or any portion thereof, within five (5) business days after notice that the same is due.

15.1.2 Any failure by Tenant to perform or observe any other covenant or condition of this Lease (including those contained in the Datacenter Rules and Regulations) to be performed or observed by Tenant (other than those described in Section 15.1.1, above or Sections 15.1.3, 15.1.4, or 15.1.5, below) if such failure continues for a period of twenty (20) days following written notice to Tenant of such failure; provided, however, that in the event Tenant's failure to perform or observe any covenant or condition of this Lease to be performed or observed by Tenant cannot reasonably be cured within twenty (20) days following written notice to Tenant, Tenant shall not be in default if Tenant commences to cure same within such twenty (20) day period and thereafter diligently prosecutes the curing thereof to completion.

15.1.2.1 **Event of Default-ECT Coverage** . Section 15.1.2, above, notwithstanding, it shall be an Event of Default by Tenant (i) if Tenant fails to remedy an ECT Overage within one hundred twenty (120) hours after its receipt of an ECT Default Notice, and/or (ii) if three (3) ECT Overages occur in any rolling thirty (30) day period. In connection with this Section 15.1.2.1, the term "remedy" shall mean and refer to a meaningful and relatively permanent remedy of the condition causing the ECT Overage.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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15.1.3 The filing or execution or occurrence of any one of the following: (i) a petition in bankruptcy or other insolvency proceeding filed by Tenant, (ii) a petition in bankruptcy or other insolvency proceeding filed against Tenant which is not dismissed within ninety (90) days of filing, (iii) a petition or answer seeking relief under any provision of the Bankruptcy Act, (iv) an assignment for the benefit of creditors, (v) a petition or other proceeding by or against Tenant for the appointment of a trustee, receiver or liquidator of Tenant or any of Tenant's property, (vi) a proceeding by any governmental authority for the dissolution or liquidation of Tenant, or (vii) any other instance whereby Tenant or any general partner of Tenant or any guarantor of Tenant's obligations under this Lease shall cease doing business as a going concern.

15.1.4 Any failure by Tenant to execute and deliver any statement or document described in Article 11, Section 12.1 or Section 17.21 requested to be so executed and delivered by Landlord within the time periods specified in such Article or Section, where such failure continues for ten (10) business days after delivery of written notice of such failure by Landlord to Tenant.

The parties hereto acknowledge and agree that all of the notice periods provided in this Section 15.1 are in lieu of, and not in addition to, the notice requirements of any Applicable Laws.

**15.2 Remedies** . Upon the occurrence of any Event of Default by Tenant, Landlord shall, in addition to an action for money damages, specific performance and/or injunctive relief, have the option to pursue any one or more of the remedies described in Section 1 of **Exhibit "D"** attached hereto and incorporated herein by this reference, each and all of which shall, subject to applicable law, be cumulative and nonexclusive.

### **15.3 Limitations on Tenant's Liability.**

15.3.1 **Liability of Certain Members of the Tenant Group** . In no event shall Tenant's directors, officers, shareholders, members, employees, constituent partners, or Tenant Affiliates have any personal liability or personal responsibility of any sort with respect to any of Tenant's obligations under the Lease

#### **15.3.2 Tenant's Liability Cap.**

The collective recourse of Landlord and its successors and assigns against Tenant (and the liability of Tenant to Landlord, its successors and assigns) with respect to (a) any actual or alleged breach or breaches by or on the part of Tenant of any of its obligations under the Lease, and (b) any other matter relating to Tenant's occupancy of the Tenant Space, shall be limited, in the aggregate, solely to an amount equal to Five Million (\$5,000,000.00) Dollars, provided that the limitations on Tenant's liability set forth in this Section 15.3.2 do not apply to: (i) rent payments due under the Lease, (ii) claims arising from breach of Tenant's obligations with respect to hazardous materials, and (iii) claims based upon claims of third parties for bodily injury to the extent based upon the negligence or willful misconduct of Tenant Parties.

## **16. LANDLORD'S LIABILITY.**

### **16.1 Landlord Default; Tenant's Remedies.**

16.1.1 **Landlord Default** . It shall constitute a Landlord Default if: (a) Landlord shall fail to perform or observe any of Landlord's Lease Undertakings, and (b) such failure continues for a period of twenty (20) days following written notice to Landlord of such failure; provided, however, that in the event that Landlord's failure to perform or observe any of Landlord's Lease Undertakings cannot reasonably be cured within twenty (20) days following written notice to Landlord, such failure to cure shall not be a Landlord Default if Landlord commences its cure within such twenty (20) day period and thereafter diligently prosecutes the curing thereof to completion.

16.1.2 **Tenant's Remedies** . Except as otherwise expressly provided herein, (a) in the event of any Landlord Default, Tenant's sole and exclusive remedies for any such failure shall be an action for money damages, specific performance and/or injunctive relief, and (b) in no event shall Tenant have the right to terminate the Lease nor shall Tenant's obligation to pay Base Rent or other charges under this Lease abate based upon any default by Landlord of its obligations under the Lease. In that connection, Tenant hereby expressly waives any right conveyed to Tenant by virtue of any law granting Tenant a lien upon the property of Landlord and/or upon rental due to Landlord or granting Tenant a right to withhold Rent and/or terminate this Lease.

**16.2 Landlord's Liability** . In consideration of the benefits accruing under this Lease to Tenant, and notwithstanding anything to the contrary contained in the Lease Documents, it is expressly understood and agreed by and between the parties to this Lease that:

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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(i) the collective recourse of Tenant and its successors and assigns against Landlord (and the liability of Landlord to Tenant, its successors and assigns) with respect to (a) any actual or alleged breach or breaches by or on the part of Landlord of any of Landlord's Lease Undertakings, and (b) any other matter relating to Tenant's occupancy of the Tenant Space, shall be limited, in the aggregate, solely to an amount equal to Landlord's Liability Cap, provided that the limitations on Landlord's liability set forth in this Section 16.2(i) shall not apply to: (x) claims based upon claims of third parties for bodily injury to the extent based upon the negligence or willful misconduct of the Landlord Parties, or (y) any Outage Credits, Security/Access Credits, Full SOC 2 Credits, or Partial SOC2 Credits to which Tenant is entitled pursuant to **Exhibit "F"**;

(ii) other than Landlord's Liability Cap, Tenant shall have no recourse against any other assets of Landlord and in the uncollected rent and proceeds of the Building;

(iii) Tenant shall have no recourse against any assets of any member of the Landlord Group other than Landlord;

(iv) except to the extent of Landlord's Liability Cap, no personal liability or personal responsibility of any sort with respect to any of Landlord's Lease Undertakings, or any alleged breach thereof, is assumed by, or shall at any time be asserted or enforceable against, Landlord; and

(v) no personal liability or personal responsibility of any sort with respect to any of Landlord's Lease Undertakings, or any alleged breach thereof, is assumed by, or shall at any time be asserted or enforceable against, any member of the Landlord Group other than Landlord.

**16.3 Transfer of Landlord's Interest** . Landlord (and each of Landlord's successors-in-interest) shall have the right, from time to time, to assign its interest and obligations, in writing and/or by operation of law, in and under this Lease to any third party to whom Landlord conveys its interest in the Property. Once and if Landlord (and/or any successor to Landlord) shall convey its interest in the Property to a third party, (a) Landlord (and each such successor) shall be fully released from all of the obligations and liabilities of Landlord under the Lease Documents accruing on or after the date of such transfer of Landlord's interest in the Property to such third party, and (b) Tenant agrees to look solely to the successor-in-interest of Landlord for all such obligations and liabilities accruing on or after the date of such transfer. If any security has been given by Tenant to secure the faithful performance of any of the covenants of this Lease, Landlord shall transfer or deliver said security, as such, to Landlord's successor in interest and thereupon Landlord shall be discharged from any further liability with regard to said security.

**16.3.1 Status as a Real Estate Investment Trust** . Landlord shall have the right, from time to time, to assign part of its interest and obligations in and under this Lease to a wholly owned subsidiary of Landlord (or a wholly owned subsidiary of Landlord's parent company), if and to the extent that Landlord determines such partial transfer is necessary or advisable in connection with the status of Landlord, or any other member of the Landlord Group, as a real estate investment trust.

## **17. MISCELLANEOUS.**

**17.1 Severability** . If it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that any term or provision hereof is invalid or unenforceable, (i) the remaining terms and provisions hereof shall be unimpaired and shall remain in full force and effect; and (ii) the invalid or unenforceable term or provision shall be replaced by a term or provision that is valid and enforceable and that comes closest to effectuating the intention of such invalid or unenforceable term or provision.

**17.2 No Waiver** . No failure or delay by either party to insist on the strict performance of any obligation, covenant, agreement, term or condition of this Lease, or to exercise any right or remedy available upon such non-performance, will constitute a waiver thereof, and no breach or failure by either party to perform will be waived, altered or modified, except by written instrument signed by such party.

**17.3 Attorneys' Fees and Costs** . If either Landlord or Tenant initiates any litigation, mediation, arbitration or other proceeding regarding the enforcement, construction or interpretation of this Lease, then the non-prevailing party shall pay the prevailing party's attorneys' fees and costs (including all expense reimbursements, expert witness fees, litigation costs, court or arbitration tribunal costs, filing fees, exhibit fees, forensic consultant fees, litigation support costs, expert witness fees, the costs of appeals and attorneys' fees and costs incurred in connection with post-judgment collection and enforcement efforts). In addition, if it should otherwise be necessary or proper for Landlord to consult an attorney concerning this Lease for the review of instruments evidencing a proposed Transfer or for the purpose of collecting Rent, Tenant agrees to pay to Landlord its actual attorneys' fees whether suit be brought or not to the extent such fees exceed \$500.00. The parties agree that this Section 17.3 shall survive the expiration or termination of this Lease.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**17.4 Waiver of Right to Jury Trial .** TO THE FULLEST EXTENT PERMITTED BY LAW, LANDLORD AND TENANT EACH EXPRESSLY WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY TRIAL HELD AS A RESULT OF A CLAIM ARISING OUT OF, IN CONNECTION WITH, OR IN ANY MANNER RELATED TO THIS LEASE IN WHICH LANDLORD AND TENANT ARE ADVERSE PARTIES. FOR THE AVOIDANCE OF DOUBT, THE FILING OF A CROSS-COMPLAINT BY ONE AGAINST THE OTHER IS SUFFICIENT TO MAKE THE PARTIES “ADVERSE.”

**17.5 Headings; Time; Survival.** The headings of the Articles, Sections, Schedules and Exhibits of this Lease are for convenience only and do not define, limit or construe the contents thereof. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. Unless otherwise expressly stated, the words “herein,” “hereof,” and “hereunder” and other words of similar import refer to this Lease as a whole and not to any particular Section, subsection, or other subpart of this Lease. The words “include” and “including” shall not be construed as terms of limitation and shall, in all instances, be interpreted as meaning “including, but not limited to.” In all instances where a party is required to pay any sum or do any act at a particular indicated time or within an indicated period, it is understood that time is of the essence. Any obligations of a party accruing prior to the expiration or termination of this Lease shall survive the expiration or termination of this Lease, and such party shall promptly perform all such obligations whether or not this Lease has expired.

**17.6 Notices.** Any notice which may or shall be given under the provisions of this Lease shall be in writing and may be delivered by (i) hand delivery or personal service, (ii) a reputable overnight courier service which provides evidence of delivery, (iii) facsimile (so long as a confirming copy is forwarded by a reputable overnight courier service within twenty-four (24) hours thereafter), or (iv) e-mail (so long as a confirming copy is forwarded by a reputable overnight courier service within twenty-four (24) hours thereafter), if for Landlord, to the Building office and at the address specified in Item 11 of the Basic Lease Information, or if for Tenant, at the address specified in Item 3 of the Basic Lease Information, or at such other addresses as either party may have theretofore specified by written notice delivered in accordance herewith. Such address may be changed from time to time by either party by giving notice as provided herein. Notice shall be deemed given, (a) when delivered (if delivered by hand or personal service), (b) if sent by a reputable overnight courier service, on the business day immediately following the business day on which it was sent, (c) the date the facsimile is transmitted, or (d) the date the e-mail is transmitted.

**17.7 Governing Law; Jurisdiction.** This Lease shall be governed by, and construed in accordance with, the laws of the state in which the Property is located. In addition, Landlord and Tenant hereby submit to the local jurisdiction of the State in which the Property is located. Each party agrees that any action by the other against such party shall be instituted in the State in which the Property is located.

**17.8 Incorporation; Amendment; Merger .** This Lease, along with any schedules, exhibits and attachments or other documents referred to herein, all of which are hereby incorporated into this Lease by this reference, constitutes the entire and exclusive agreement between Landlord and Tenant relating to the Tenant Space and the Datacenter and each of the aforementioned documents may be altered, amended or revoked only by an instrument in writing signed by the party to be charged thereby. All prior or contemporaneous oral or written agreements, understandings and/or practices relative to the leasing or use of the Tenant Space are merged herein or revoked hereby.

**17.9 Brokers .** Each party hereto represents to the other that the representing party has not engaged, dealt with or been represented by any broker in connection with this Lease other than the respective broker specified in Item 13 of the Basic Lease Information.

**17.10 Examination of Lease; Binding on Parties .** Each of the parties hereto acknowledges that it has read and reviewed this Lease and that it has had the opportunity to confer with counsel in the negotiation of this Lease. Accordingly, this Lease shall be construed neither for nor against Landlord or Tenant, but shall be given a fair and reasonable interpretation in accordance with the meaning of its terms and the intent of the parties. This Lease shall not be binding or effective until each of the parties hereto has executed and delivered an original counterpart hereof to each other. No contractual or other rights shall exist between Landlord and Tenant with respect to the Tenant Space until both have executed and delivered this Lease, notwithstanding that Landlord has delivered to Tenant an unexecuted copy of this Lease. The submission of this Lease to Tenant shall not constitute the grant of an option for the Tenant to lease, or otherwise create any interest by Tenant in, the Tenant Space. The execution of this Lease by Tenant and return to Landlord shall not be binding upon Landlord, notwithstanding any time interval, until Landlord has, in fact, executed and delivered this Lease to Tenant.

**17.11 Recordation.** Neither Tenant nor any person or entity acting through, under or on behalf of Tenant shall record or cause the recordation of this Lease, but Landlord agrees to execute, acknowledge and deliver (if applicable) a statutory form of Notice of Lease.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**17.12 Authority.** Each of Landlord and Tenant represents to the other party that the person executing this Lease on its behalf is duly authorized to execute and deliver this Lease pursuant to its respective by-laws, operating agreement, resolution or other legally sufficient authority. Further, each party represents to the other party that (i) if it is a partnership, the undersigned are all of its general partners, (ii) it has been validly formed or incorporated, (iii) it is duly qualified to do business in the state in which the Property is located, and (iv) this Lease is being executed on its behalf and for its benefit.

**17.13 Successors and Assigns .** Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon, and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives and permitted successors and assigns.

**17.14 Force Majeure.** Except for the extent to which a party's obligations or rights are expressly stated herein to apply notwithstanding the effect of Force Majeure events, a party shall incur no liability to the other party with respect to, and shall not be responsible for any failure to perform, any of its obligations hereunder (other than payment obligations or obligations that may be cured by the payment of money (e.g., maintaining insurance)) if such failure is caused by a Force Majeure event. The amount of time for a party to perform any of its obligations (other than payment obligations) shall be extended by the amount of time such party is delayed in performing such obligation by reason of any Force Majeure event.

**17.15 No Partnership or Joint Venture; No Third Party Beneficiaries.** Nothing contained in this Lease shall be deemed or construed to create the relationship of principal and agent, or partnership, or joint venturer, or any other relationship between Landlord and Tenant other than landlord and tenant. Landlord shall have no obligations hereunder to any person or entity other than Tenant, and no other parties shall have any rights hereunder as against Landlord.

**17.16 Access by Landlord.** Landlord, Landlord's agents and employees shall have the right to enter upon any and all parts of the Tenant Space at any reasonable time upon prior reasonable oral or written notice (except in the case of an emergency when no prior notice shall be required, and except as otherwise expressly set forth below) to examine the condition thereof, to clean, to make any repairs, alterations or additions required to be made by Landlord hereunder, to show the Tenant Space to prospective purchasers or prospective or current mortgage lenders (in either case only upon forty-eight (48) hours' prior oral or written notice), to show the Tenant Space to prospective tenants (only during the last nine (9) months of the Term, and only upon forty-eight (48) hours' prior oral or written notice), to determine whether Tenant is complying with all of its obligations under this Lease, and/or to exercise any of Landlord's rights or remedies hereunder. In connection with Landlord's rights hereunder, Tenant agrees that Landlord shall at all times have and retain a key that will unlock all of the doors in, on or about the Tenant Space; and, in the absence of such a key, Landlord shall have the right to use any reasonable means to open such doors to obtain entry to the Tenant Space. Notwithstanding anything herein to the contrary, except for emergencies, Landlord shall use reasonable efforts to minimize disruption of Tenant's business or occupancy during such entries.

**17.17 Rights Reserved by Landlord .** Except as otherwise expressly provided to the contrary in this Lease, Landlord hereby expressly reserves all rights related to the Premises, the Datacenter, the Building and the Property, including the right: (i) to change the name or street address of the Building and/or the Property; (ii) to install, affix and maintain all signs on the exterior and/or interior of the Building and/or the Property; (iii) to change, from time to time, the dimensions, configurations and locations of the Common Areas, and/or to otherwise make such alterations to the Datacenter or the Building as Landlord deems desirable; (iv) to install, operate and maintain systems which monitor, by closed circuit television or otherwise, all persons entering or leaving the Building, the Datacenter, and/or the Property; (v) to install and maintain pipes, ducts, conduits, wires and structural elements located in the Datacenter or the Tenant Space and which serve other parts or other tenants or occupants of the Datacenter, the Building and/or the Property; (vi) to create any additional improvements to structural and/or mechanical systems, interior and exterior walls and/or glass; and (vii) to lease space in the Datacenter, the Building and the Property, and to create such other tenancies in the Datacenter, the Building and the Property as Landlord shall desire. In exercising its rights under this Section 17.17, Landlord shall not (i) reduce the size or volume of the Tenant Space more than a de minimus amount, (ii) except in an emergency, impact the operation of Tenant's business operations in any material manner, or the privacy of Tenant's customers in the Tenant Space without having given Tenant at least seven (7) calendar days prior written notice, or (iii) materially affect the visibility of Tenant's lobby signage, if any, to visitors to the lobby of the Building. In scheduling any Datacenter, Building, or Property repair or maintenance, Landlord shall use reasonable efforts to minimize any impact on Tenant's operations in the Tenant Space.

**17.18 Counterparts; Delivery by Facsimile or E-mail.** This Lease may be executed simultaneously in two or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same Lease. Landlord and Tenant agree that the delivery of an executed copy of this Lease by facsimile or e-mail shall be legal and binding and shall have the same full force and effect as if an original executed copy of this Lease had been delivered.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**17.19 Confidentiality of Lease.** Each party agrees that (i) the terms and provisions of this Lease are confidential and constitute proprietary information of the parties and (ii) it shall not disclose, and it shall cause its partners, officers, directors, shareholders, employees, brokers and attorneys to not disclose any term or provision of this Lease to any other person without first obtaining the prior written consent of the other party, except that each party shall have the right to disclose such information for valid business, legal and accounting purposes and/or if advisable under any applicable securities laws regarding public disclosure of business information and/or as required by Applicable Law or any court ruling.

**17.20 Incorporation of Schedules and Exhibits.** All of the terms and conditions of all of the Schedules and Exhibits to this Lease are hereby incorporated into this Lease.

**17.21 Financial Statements.** Within ten (10) days after Landlord's written request therefore, which request shall be made only in the event that any actual or prospective lender, mortgagee or purchaser of the Building has required same, Tenant shall deliver Tenant's Financial Statements to Landlord for the two (2) fiscal years immediately preceding Landlord's request. If Tenant does not then have its Financial Statements audited, Tenant must forward unaudited Financial Statements certified by Tenant's chief financial officer as true, complete and correct in all material respects. Landlord hereby agrees to maintain Tenant's Financial Statements as proprietary and confidential and agrees not to disclose Tenant's Financial Statements to any third party other than any actual or prospective lender, mortgagee, or purchaser of the Building, and Landlord's attorneys, accountants and similar business advisors. Notwithstanding the foregoing, this Section 17.21 shall not apply with regard to Tenant's Financial Statements if, as the case may be, (a) the entity named as "Tenant" or the entity that is named as "Guarantor" under this Lease is a publicly traded entity that is traded on a nationally recognized stock exchange, and (b) such entity's Financial Statements are available online at no cost to Landlord

**17.22 Master Lease.** Landlord and Tenant hereby acknowledge and agree that Landlord may enter into a Master Lease with a Third Party Tenant for the operation and control of all or part of the Premises, and in such event, the Lease will automatically, without consent or further action of Tenant, be deemed a sublease between the Third Party Tenant, as sub-landlord, and Tenant, as subtenant. For the avoidance of doubt, aside from the fact that this Lease would (in such situation) become a sublease between Third Party Tenant (as sublandlord) and Tenant (as subtenant), rather than a lease between Landlord and Tenant, the terms of this Lease would not otherwise be changed by such action, and the Third Party Tenant (as "Landlord" under this Lease) would be required to comply with the terms of this Lease, as a sublease. This provision is self-operating; however, Tenant agrees to execute any documents needed to confirm such sublease, and if the Master Lease is entered into and Third Party Tenant defaults thereunder, Tenant will attorn to Landlord, as substitute sublandlord, and, provided Tenant is not in default under the Lease after the expiration of any applicable notice and cure periods, Tenant may remain in possession of the Tenant Space under the terms of the Lease, even if Landlord should terminate the Master Lease.

**17.23 Non-Exclusive Remedies.** Unless expressly provided otherwise in this Lease, no remedy which a party may have as set forth in this Lease is intended to be, nor shall be, exclusive of, or mutually exclusive with regard to, any other remedy which such party may have as set forth in this Lease.

## **18. CONFIDENTIALITY.**

**18.1 Definition of Confidential Information.** "Confidential Information" shall mean and refer to, with respect to a party hereto, all information or material that: (a) gives that party some competitive business advantage, gives that party the opportunity of obtaining some competitive business advantage, or the disclosure of which would be detrimental to the interests of that party; and (b) is marked "Confidential," "Restricted," "Proprietary," or with some other, similar, marking. Confidential Information includes all of Tenant's Data, prices, trade secrets, databases, hardware, software, designs and techniques, programs, engine protocols, models, displays and manuals, and the selection, coordination and arrangement of the contents of such materials, and any unpublished information concerning research activities and plans, members, potential members, employees, customers, marketing or sales plans, product development or time to market, sales forecasts or results of marketing efforts, pricing or pricing strategies, costs, operational techniques, strategic plans, and unpublished financial information, including information concerning revenues, profits and profit margins. "Tenant's Data" shall mean and refer to all of Tenant's data, records and information to which Landlord has access, under this Lease in connection with Landlord's provision of the Landlord's Essential Services and Landlord's performance under this Lease.

### **18.2 Exclusions.**

Confidential Information will not include any information or material, or any element thereof, whether or not such information or material is Confidential Information for the purposes of this Lease, to the extent any such information or material, or any element thereof:

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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- (a) has previously become or is generally known to the public, unless it has become generally known to the public through a breach of this Lease or a confidentiality or non-disclosure agreement;
- (b) was already rightfully known to the party receiving such information (the “**Receiving Party**”) prior to being disclosed by or obtained from the Receiving Party (or its agents or affiliates) disclosing such information (the “**Disclosing Party**”) as evidenced by written records kept in the ordinary course of business of or by proof of actual use by the Receiving Party;
- (c) has been or is hereafter rightfully received by the Receiving Party from a third person (other than the Disclosing Party) without restriction or disclosure and without breach of a duty of confidentiality to the Disclosing Party; or
- (d) has been independently developed by the Receiving Party without access to Confidential Information of the Disclosing Party.

### **18.3 Use.**

The parties agree to hold each other’s Confidential Information in strict confidence during the Term of this Lease and after any termination or expiration of this Lease. Each party recognizes the importance of the other’s Confidential Information and recognizes and agrees that the Confidential Information of the other party is critical to such other party’s business and that neither party would enter into this Lease without assurance that its Confidential Information and the value thereof will be protected as provided in this Section 18 (Confidentiality) and elsewhere in this Lease. Accordingly, each party agrees as follows:

- (a) the Receiving Party will hold any and all Confidential Information it obtains in strictest confidence and will use and permit use of Confidential Information solely for the purposes of this Lease;
- (b) the Receiving Party may disclose or provide access to its responsible employees, attorneys, auditors, affiliates, lenders, prospective lenders, investors, prospective investors and prospective purchasers of the Property who have a need to know such Confidential Information in the ordinary course of the Receiving Party’s business; provided that, in any such case, the party disclosing Confidential Information shall advise the recipient of the fact that such information is Confidential Information under this Agreement and the party’s obligations under this Article 18; and
- (c) the Receiving Party will notify the Disclosing Party of any actual or attempted unauthorized disclosure or use of the other party’s Confidential Information promptly after it becomes aware of such attempt or use, and will cooperate with the Disclosing Party, in any manner which the Disclosing Party reasonably requests and at no cost to the Receiving Party, to protect all proprietary rights in and ownership of its Confidential Information.

### **18.4 Compelled Disclosures.**

To the extent required by Applicable Law or by lawful order or requirement of a court or governmental authority having competent jurisdiction over the Receiving Party, the Receiving Party may disclose Confidential Information in accordance with such law or order or requirement, provided that, promptly after becoming aware of such law, order, or requirement and, if possible, prior to disclosing Confidential Information pursuant thereto, the Receiving Party will so notify the Disclosing Party in writing. The Receiving Party will use reasonable efforts not to release Confidential Information pending the outcome of any measures taken by the Disclosing Party to contest, otherwise oppose, or seek to limit such disclosure by the Receiving Party and any subsequent disclosure or use of Confidential Information that may result from such disclosure. The Receiving Party will cooperate with and provide assistance to the Disclosing Party regarding such measures in such manner as the Disclosing Party may reasonably request, and at no cost to the Receiving Party.

### **18.5 Return of Confidential Information.**

On the Disclosing Party’s written request or upon expiration or termination of this Lease for any reason, the Receiving Party will, promptly after written request from the Disclosing Party, with respect to either Landlord or Tenant, as the case may be, return or destroy, at the Disclosing Party’s option, all tangible (the parties acknowledging that information provided in electronic format shall not be considered “tangible” for the purposes of this Section 18.5 ) originals and copies of all documents and materials it has received containing the Disclosing Party’s Confidential Information.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**18.6 Non-Exclusive Equitable Remedy.**

Each Party acknowledges and agrees that due to the unique nature of Confidential Information there is no adequate remedy at law for any breach of its obligations hereunder and that any such breach or threatened breach may result in irreparable harm to such Party and, therefore, that upon any such breach or any threat thereof, each Party will be entitled to seek and obtain appropriate equitable and injunctive relief from a court of competent jurisdiction without the necessity of proving actual loss, in addition to whatever remedies either of them might have at law or equity.

**[SIGNATURES ON NEXT PAGE]**

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Lease on the respective dates set forth below to be effective as of the Effective Date.

**LANDLORD :**

**DIGITAL LOUDOUN PARKWAY CENTER NORTH, LLC,**  
a Delaware limited liability company

By: Digital Realty Trust, L.P.,  
its manager

By: Digital Realty Trust, Inc.,  
its general partner

By: /s/ David Lucey  
Name: David Lucey  
Title: Vice President, Global Asset Management

Date: September 30, 2016

**TENANT:**

**CARBONITE, INC.,**  
a Delaware corporation

By: /s/ Anthony Folger

Name: Anthony Folger

Title: Chief Financial Officer

Date: September 30, 2016

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

**EXHIBIT "A"**

**DEPICTION OF DATACENTER and PREMISES**

[\*\*\*]

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**EXHIBIT "B-1"**

**TENANT'S INSURANCE REQUIREMENTS**

**Policies**

- |    |   |  |
|----|---|--|
| A. | Commercial general liability insurance (including contractual liability): | \$1,000,000 single limit; \$2,000,000 aggregate limit, with umbrella coverage providing an additional \$3,000,000 in excess coverage   |
| B. | "Special Peril Form" property insurance:                                  | Full replacement value of Tenant's Personal Property.  |
| C. | Workers' compensation insurance:  | In accordance with the laws of the state in which the Property is located, and Employer's Liability insurance with a limit not less than \$1,000,000 Bodily Injury Each Accident; \$1,000,000 Bodily Injury By Disease - Each Person; and \$1,000,000 Bodily Injury By Disease - Policy Limit. |
| D. | Automobile liability insurance:   | Primary auto liability insurance with limits of not less than \$1,000,000 per occurrence covering owned, hired and non-owned vehicles used by Tenant or any other member of the Tenant Group.  |
| E. | Business interruption insurance:  | In such amount as will reimburse Tenant for direct or indirect loss of earnings attributable to all perils insured against by the property insurance described above for a period of not less than twelve (12) months.   |

**Requirements :**

All insurance required of Tenant under this Lease shall be issued by insurers with a "General Policyholders Rating" of at least A-, VIII, as set forth in "Best's Insurance Guide." Such insurers shall be authorized to do business in the State in which the Property is located. Tenant's commercial general liability policy shall be written to apply to all bodily injury (including death), property damage and personal injury losses, and shall include contractual liability, broad form property damage, cross liability and severance of interest clauses.

\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**EXHIBIT "B-2"**

**LANDLORD'S INSURANCE REQUIREMENTS**

**Policies**

- |    |   |  |
|----|---|--|
| A. | Commercial general liability insurance (including contractual liability): | \$1,000,000 single limit; \$2,000,000 aggregate limit; with an umbrella policy providing an additional \$3,000,000 in excess coverage.   |
| B. | "Special Peril Form" property insurance:                                  | Full replacement value of the Building and Landlord's personal property installed therein.   |
| C. | Workers' compensation insurance:  | In accordance with the laws of the state in which the Property is located, and Employer's Liability insurance with a limit not less than \$1,000,000 Bodily Injury Each Accident; \$1,000,000 Bodily Injury By Disease - Each Person; and \$1,000,000 Bodily Injury By Disease - Policy Limit. |
| D. | Automobile liability insurance:   | Primary auto liability insurance with limits of not less than \$1,000,000 per occurrence covering owned, hired and non-owned vehicles used by Landlord or any other member of the Landlord Group.  |

**Requirements :**

All insurance required of Landlord under this Lease shall be issued by insurers with a "General Policyholders Rating" of at least A-, VIII, as set forth in "Best's Insurance Guide." Such insurers shall be authorized to do business in the State in which the Property is located. Landlord's commercial general liability policy shall be written to apply to all bodily injury (including death), property damage and personal injury losses, and shall include contractual liability, broad form property damage, cross liability and severance of interest clauses.

\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**EXHIBIT "C"**

**DESCRIPTION OF PATHWAY**

- One (1) maxcell sleeve within an existing Landlord conduit from the Premises to the P-POP Room, along pathway as hereafter designated by Landlord (the "**P-POP Pathway**").
- One (1) maxcell sleeve within an existing Landlord conduit from the Premises to the S-POP Room, along pathway as hereafter designated by Landlord (the "**S-POP Pathway**").

From and after the Commencement Date, until the expiration of the Term of the Lease, the "**Pathway**" shall mean and refer to the P-POP Pathway together with the S-POP Pathway.

Tenant, at Tenant's sole cost and expense, shall install the fiber running from the Premises through the Pathway to the respective POP Rooms, subject to the following:

- (i) such installation shall be subject to Tenant's obtaining Landlord's prior written approval of the plans therefor, which approval shall not be unreasonably withheld, conditioned, or delayed; and
- (ii) such installation shall be performed by Tenant's contractor, subject to the supervision of Landlord's representative.

**EXHIBIT "D"**

**VIRGINIA STATE LAW PROVISIONS**

**1. REMEDIES FOR EVENTS OF DEFAULT**

1.1 **Landlord's Right to Terminate Upon Tenant Default** . This Lease and the Term and estate hereby granted and the demise hereby made are subject to the limitation that if and whenever any Event of Default shall occur, Landlord may, at Landlord's option, in addition to all other rights and remedies given hereunder or by law or equity, do any one or more of the following without notice or demand, any such notice or demand being hereby waived, to the extent that such waiver is allowed by Applicable Laws:

1.1.1 Terminate this Lease, in which event Tenant shall immediately surrender possession of the Tenant Space to Landlord.

1.1.2 Enter upon and take possession of the Tenant Space and expel or remove Tenant and any other occupant therefrom, with or without having terminated this Lease.

1.1.3 Alter locks and other security devices at the Tenant Space.

1.1.4 Terminate any and all agreements, subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant, with Landlord or with third parties, and affecting the Tenant Space or any part of the Building.

1.2 **No Surrender or Merger** . Exercise by Landlord of any one or more remedies hereunder granted or otherwise available shall not be deemed to be an acceptance of surrender of all or any part of the Tenant Space by Tenant, whether by agreement or by operation of law, it being understood that such surrender can be effected only by the written agreement of Landlord and Tenant. No such alteration of security devices and no removal or other exercise of dominion by Landlord over the property of Tenant or others on or about the Tenant Space shall be deemed unauthorized or constitute a conversion, Tenant hereby consenting, after any Event of Default, to the aforesaid exercise of dominion over Tenant's property within the Building. All claims for damages by reason of such re-entry and/or possession and/or alteration of locks or other security devices are hereby waived (subject to Section 1.7 of this **Exhibit "D"** ), as are all claims for damages by reason of any distress warrant, unlawful detainer proceedings, sequestration proceedings or other legal process, to the extent that such waiver is allowed by Applicable Laws. Tenant agrees that any re-entry by Landlord may be pursuant to judgment obtained in unlawful detainer proceedings or other legal proceedings or without the necessity for any legal proceedings, as Landlord may elect, and Landlord shall not be liable in trespass or otherwise.

1.3 **Damages Upon Default** . If Landlord elects to terminate this Lease by reason of an Event of Default, then, notwithstanding such termination, Landlord may hold Tenant liable for all rental and other indebtedness accrued to the date of such termination, plus, at Landlord's election, either (to the extent permitted by Applicable Law):

(i) such rental and other indebtedness as would otherwise have been required to be paid by Tenant to Landlord during the period following termination of the Term of this Lease measured from the date of such termination by Landlord until the expiration of the Term of this Lease (had Landlord not elected to terminate this Lease on account of such Event of Default) diminished by any net sums thereafter received by Landlord through reletting the Tenant Space during said period (after deducting expenses incurred by Landlord in good faith as provided in Section 1.5 below), or

(ii) the amount (discounted to present value) by which, at the time of the termination of this Lease (or at any time thereafter if Landlord shall have initially elected damages under clause (i) above), (x) the aggregate of the rent and other charges projected over the period commencing with such termination and ending on the last day as of which the Term of the Lease would have expired, but for such Event of Default, exceeds (y) the aggregate projected market rental value (including other charges) for the Tenant Space for such period.

Actions to collect amounts due by Tenant provided for in clause (i) of this Section 1.3 may be brought from time to time by Landlord during the aforesaid period, on one or more occasions, without the necessity of Landlord's waiting until the expiration of such period, and in no event shall Tenant be entitled to any excess of rental (or rental plus other sums) obtained by reletting over and above the rental provided for in this Lease.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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1.4 **Repossession of Tenant Space** . If Landlord elects to repossess the Tenant Space without terminating this Lease, Tenant shall be liable for and shall pay to Landlord all rental and other indebtedness accrued to the date of such repossession, plus Rent required to be paid by Tenant to Landlord during the remainder of the Term of this Lease until the expiration of the Term of this Lease, diminished by any net sums thereafter received by Landlord through reletting the Tenant Space during said period (after deducting expenses incurred by Landlord as provided in Section 1.5 below). In no event shall Tenant be entitled to any excess of any rental obtained by reletting over and above the rental herein reserved. Actions to collect amounts due by Tenant as provided in this Section 1.4 may be brought from time to time, on one or more occasions, without the necessity of Landlord's waiting until the expiration of the Term of this Lease.

1.5 **Landlord's Expenses** . Upon an Event of Default, Tenant shall also be liable for and shall pay to Landlord, in addition to any sum provided to be paid pursuant to this Lease: (i) the costs and expenses of securing new tenants, including expenses for refixturing, alterations and other costs in connection with preparing the Tenant Space for the new tenant and any reasonable or necessary alterations, (ii) the cost, incurred by Landlord in good faith, of removing and storing Tenant's or other occupant's property, and (iii) all reasonable expenses incurred by Landlord in enforcing Landlord's remedies, including reasonable attorneys' fees. Past due rental and other past due payments shall bear interest from maturity at the Default Rate (as defined in Schedule 1 of this Lease) until paid.

1.6 **Cumulative Remedies; Equitable Relief**. The specific remedies to which Landlord may resort under the provisions of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which it may be lawfully entitled in case of any breach or threatened breach by Tenant of any provisions of this Lease. In addition to the other remedies provided in this Lease, subject to Applicable Laws, Landlord shall be entitled to a restraint by injunction of the violation or attempted or threatened violation of any of the covenants, conditions or provisions of this Lease or to a decree compelling specific performance of any such covenants, conditions or provisions.

1.7 **Reletting** . Landlord agrees to use reasonable efforts to relet the Tenant Space after Tenant vacates the Tenant Space in the event that the Lease is terminated based upon a default by Tenant hereunder. Marketing of the Tenant Space in a manner similar to the manner in which Landlord markets other premises within Landlord's control in the Building shall be deemed to have satisfied Landlord's obligation to use "reasonable efforts." Tenant agrees that, in any event, Landlord has no obligation to: (i) relet the Tenant Space prior to leasing any other space within the Building; or (ii) relet the Tenant Space (A) at a rental rate or otherwise on terms below market, as then determined by Landlord in its sole discretion; (B) to any entity not satisfying Landlord's then standard financial credit risk criteria; (C) for a use (1) not consistent with Tenant's use prior to default; (2) which would violate then applicable law or any restrictive covenant or other lease affecting the Building; (3) which would impose a greater burden upon the Building's facilities; or (4) which would involve any use of Hazardous Materials (other than those which Tenant is expressly permitted to use under the Lease); or (iii) solicit or entertain negotiations with any other prospective tenants for the Tenant Space until Landlord obtains full and complete possession of the Tenant Space, including the final and unappealable legal right to re-let the Tenant Space free of any claim of Tenant to occupy the Tenant Space.

1.8 **Landlord's Right to Cure** . All covenants and agreements to be performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense. If Tenant should fail to make any payment (other than Base Rent) or cure any default hereunder within the time herein permitted, Landlord, without being under any obligation to do so, without thereby waiving such default and in addition to and without prejudice to any other right or remedy of Landlord, may make such payment and/or remedy such other default for the account of Tenant (and enter the Tenant Space for such purpose), and thereupon Tenant shall be obligated to, and hereby agrees to, pay to Landlord as Additional Rent, within ten (10) days following Landlord's demand therefor, all costs, expenses and disbursements incurred by Landlord in good faith (including reasonable attorneys' fees) incurred by Landlord in taking such remedial action, plus an administrative fee of ten percent (10%) of such amount.

2. **CALCULATION OF CHARGES** . Landlord and Tenant are knowledgeable and experienced in commercial transactions and agree that the provisions set forth in this Lease for determining charges, amounts and additional rent payable by Tenant (including payments under Section 3.5) are commercially reasonable and valid even though such methods may not state a precise mathematical formula for determining such charges.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**EXHIBIT “E”**

**LANDLORD’S INSTALLATIONS**

A. Landlord shall at its sole cost and expense, subject to the terms of Section 3.2, above, cause (collectively, “**Landlord’s Installations** ”):

- The installation of Metering Equipment - Tenant Space at the output breaker of the PDUs that serve the Premises related to electrical power.
- The installation of cage walls substantially in the lay out set forth on **Exhibit “A”** (the “**Premises Cage** ”).
- The installation of a biometric security device on the cage door (the “**Cage Bio** ”).
- The installation of the Pathway described on **Exhibit “C** ”.
- The installation of the Required Temperature Sensors.

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[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

**EXHIBIT “E-1”**

**COMMISSIONING CRITERIA**

Commissioning consists of five general levels of activities summarized as follows:

**Level 1 - Factory Testing**

Manufacturers’ standard test reports will be reviewed prior to shipment of equipment to the site.

**Level 2 - Component Verification**

Individual system components are verified at the site upon delivery for compliance with the design specifications, drawings, and approved submittals or shop drawings.

**Level 3 - System Construction Verification**

As the components are assembled into individual systems, the construction or installation of the overall system is verified. This includes an evaluation of interconnection between components, physical arrangement, support and anchoring, and access and clearance.

**Level 4 - Individual System and Major Equipment Operation Verification**

Subsequent to the completion of construction and assembly of each individual system or major equipment element, it is started-up and tested for proper functional operation and performance.

**Level 5 - Integrated Systems Operation Verification**

The test procedures that comprise Level 5 commissioning are designed to simulate the operation of the Premises’ infrastructure during a full range of operational situations, including loss of utility services, single and multiple equipment failure, normal sequential changes to the equipment operation, and planned maintenance operations.

This effort is dependent upon the successful completion of all prior levels of commissioning. The assembly of appropriate documentation and certifications for the completion of Level Four commissioning will be a prerequisite.

Level 5 commissioning will typically be completed in four basic steps:

- Initial planning
- Preparation of test procedures
- Implementation of tests
- Issuance by Commissioning Agent of the Commissioning Complete Letter.

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[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

**EXHIBIT “F”**

**SERVICE LEVEL**

**Table A.**

Landlord shall provide the following:

1. <u>Electricity Consumption Threshold:</u>	450 total kW.
2. <u>Target Battery Capacity:</u>	Five (5) minutes.
3. <u>Back-Up Power Specifications :</u>	Four (4) dedicated (2.0) MW Building generators supply back-up power for the Datacenter. Back-up power is included in all AC amperage usage.
4. <u>HVAC Specifications.</u>	
(a) <u>Target Temperature Range :</u>	Average temperature of the Premises, measured below the raised floor of the Premises, between 59 degrees Fahrenheit and 90 degrees Fahrenheit.
(b) <u>Target Humidity Range :</u>	Average relative humidity of the Premises, measured below the raised floor of the Premises, between 20% and 80% relative humidity and 62.6 degrees Fahrenheit dew-point.

**Service Level - Terms.**

1. Landlord’s Essential Services .

A. **Electricity** . Landlord shall furnish electricity to the Premises sufficient to meet the Electricity Consumption Threshold. The obligation of Landlord to provide electricity to the Premises shall be subject to the rules, regulations and requirements of the supplier of such electricity and of any governmental authorities regulating providers of electricity and shall be limited, except as expressly set forth in the next sentence, to providing power sufficient to meet the Electricity Consumption Threshold. In addition, Landlord shall furnish back-up power for the Premises sufficient to meet the Back-Up Power Specifications, at all times except during maintenance operations and Force Majeure events. Except for the Back-Up Power Specifications, Landlord shall have no obligation to provide emergency, supplemental or back-up power systems for use in the Premises, or otherwise in, or for, the Tenant Space.

B. **HVAC** . Landlord shall furnish HVAC to the Premises sufficient to cause the average temperature and humidity of the Premises (measured below the raised floor of the Premises) to meet the HVAC Specifications. The obligation of Landlord to provide HVAC to the Premises shall be limited to providing HVAC sufficient to meet the HVAC Specifications.

2. Credits .

A. **Outage Credits** .

Upon the occurrence of each Separate/Independent Interruption of Landlord’s Essential Services, Tenant shall be entitled to an Outage Credit in the amount set forth opposite the duration of such Interruption of Landlord’s Essential Services in Table 2.A.(1)-A and 2.A.(1)-B, below, as applicable:

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**Table Related to the Calculation of Outage Credits (Table 2.A.(1)-A)**

<b>Interruption Duration:</b>	<b>Tenant's Remedy:</b>
0-4 consecutive hours	The Level-1 Outage Credit(s) described in Table 2.A.(1)-B, below.
5-8 consecutive hours	One (1) additional Outage Credit
Each eight (8) hour period thereafter during which such Interruption of Landlord's Essential Services occurs or continues.	One (1) additional Outage Credit

**Table Describing the Level-1 Outage Credits (Table 2.A.(1)-B)**

<b>Interruption Occurrence:</b>	<b>Level-1 Outage Credit:</b>
Each First Interruption.	One (1) Outage Credit.
Each Second Interruption.	Two (2) Outage Credits.
Each Third Interruption	Three (3) Outage Credits.
Each Four-Plus Interruption and each Interruption after the Fourth Interruption.	Four (4) Outage Credits.

**B. Security/Access Credits .**

Any breach by Landlord of its obligations with respect to Security or Access, as set forth in the then current version of the Handbook (such security and access obligations being set forth in the 8th section, starting on page 40 and ending on page 46 of the Version 2.8 of the Handbook, dated December 30, 2011), shall be considered to be a "**Security/Access Incident**". Tenant shall be entitled to a credit ("**Security/Access Credits**") against Rent in the amount of [\*\*\*] for each Security/Access Incident and [\*\*\*] for each day that any Security/Access Incident is unresolved.

**C. SOC 2 Audit Credits .**

Landlord shall cause a SOC 2 Audit of the Datacenter be performed at least once every twelve months by a qualified independent auditor. If such audit results in a qualified opinion (a "**Qualified Opinion**") by the service auditor (e.g., as a result of an examination, the service auditor determined that management's description does not fairly present the system, the controls of the system were not suitably designed to meet the criteria, or the controls were not operating effectively), and either: (i) Tenant is unable to use the Tenant Space for the purposes permitted under the Lease by reason of such Qualified Opinion for any period of time, then Tenant shall be entitled a credit ("**Full SOC 2 Credit**") equal to [\*\*\*] of the Rent payable by Tenant for each day that Tenant is unable use the Datacenter by reason of such Qualified Opinion, or (ii) if, despite such Qualified Opinion, Tenant is able to use the Tenant Space for the purposes permitted under the Lease for a period after the date ("**SOC 2 Cure Date**") which is (20) days after Landlord receives notice from such auditor of such Qualified Opinion, then Tenant shall be entitled to a credit ("**Partial SOC 2 Credit**") equal to [\*\*\*] of the Rent payable by Tenant for each day between SOC 2 Cure Date and the date that Landlord has reasonably resolved any issues related to such Qualified Opinion and has given Tenant notice of same.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**D. Procedures .**

In the event that Tenant is entitled to an Outage Credit, Security/Access Credit, Full SOC 2 Credit, or Partial SOC 2 Credit, such credit shall be applied as a credit towards Tenant's Base Rent due in the immediately following month of the Term; provided, however, in the event that a credit accrues during the final month of the Term, Landlord will pay to Tenant the amount of such credit within thirty (30) days following the expiration of the Term.

**E. Limits on Credits.**

The foregoing notwithstanding, (a) the total aggregate amount of Outage Credits, Security/Access Credits, Full SOC 2 Credits, and Partial SOC 2 Credits to which Tenant may become entitled in any calendar month shall not exceed Tenant's total monthly Base Rent (at the time of the event); and (b) Tenant's entitlement to, and accrual of, Outage Credits related to any Interruption - Electrical shall occur only from and after the point at which the aggregate duration of all Interruptions - Electrical during any rolling twelve (12) month period exceeds the Interruption - Electrical Duration Threshold.

**F. Cure Notices.** Once Landlord has rectified a particular Interruption of Landlord's Essential Services, Security/Access Incident, or SOC 2 non-compliance, Landlord shall provide notice of such rectification or cure to Tenant as soon as is reasonably practicable thereafter.

**3. Termination Rights.**

**A. Continuous Outage Termination Right .** In the event of a Continuous Outage, Tenant may terminate this Lease by timely delivery of the Continuous Outage Termination Notice to Landlord. Tenant's failure to timely deliver Tenant's Continuous Outage Termination Notice shall automatically extinguish Tenant's right to terminate this Lease with respect to that particular Continuous Outage. If Tenant exercises its termination right under this Paragraph or Paragraph B. below, then Landlord shall reimburse Tenant for the reasonable costs incurred by Tenant in moving Tenant's Personal Property from the Tenant Space to a new location.

**B. Chronic Outage Termination Right .** In the event of a Chronic Outage, Tenant may terminate this Lease by timely delivery of the Chronic Outage Termination Notice to Landlord. Tenant's failure to timely deliver Tenant's Chronic Outage Termination Notice shall automatically extinguish Tenant's right to terminate this Lease with respect to that particular Chronic Outage.

**4. Remedies Exclusive .** Tenant agrees that Tenant's entitlement to Outage Credits, Security/Access Credits, Full SOC 2 Credits, and Partial SOC 2 Credits and the termination rights set forth above, all as expressly set forth in this **Exhibit "F"**, shall be Tenant's sole and exclusive remedies with regard to each Interruption of Landlord's Essential Services.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**EXHIBIT "G"**

**POP LICENSED AREAS**

POP Licensed Areas:

Tenant shall have the right during the Term to use one quarter cabinet in the P-POP Room (as hereafter designated by Landlord, the "**P-POP Licensed Area**") and one quarter cabinet in the S-POP Room (the "**S-POP Licensed Area**") to serve, subject to the terms of Section 1.3, above and this **Exhibit "G"**, as Tenant's connectivity point of demarcation.

Tenant acknowledges and agrees that any cabinets or other rack space located in the POP Rooms described in this Lease or hereafter added to this Lease (each, a "**POP Licensed Areas**") is provided on an "as-is" basis, and Landlord makes no representation or warranty that any POP Licensed Area is suitable or fit for Tenant's intended purpose.

Notwithstanding anything to the contrary contained in this Lease, during the Term of this Lease (i) Tenant is hereby granted a license to use (the "**POP Room Permitted Use**") Tenant's POP Licensed Areas for the placement and maintenance of computer, switch and/or communications equipment and connections with the communications cable and facilities of other tenants, carriers and occupants in the POP Rooms only, and shall, in no event, be permitted to utilize the POP Licensed Areas (or any other portion of the Building) to provide meet-me room services or refer to any POP Licensed Area as a "meet-me room", (ii) Exhibit "F" and the rights and remedies thereunder and therein (the "**SLA**") apply only with regard to the "Premises" described in item 7 of the Basic Lease Information (i.e., Tenant shall have no rights or remedies under the SLA with regard to the POP Licensed Areas), and (iii) Tenant shall comply with the POP Room Rules and Regulations (defined below) at all times during the Term.

The "**POP Room Rules and Regulations**" shall mean and refer to Landlord's rules and regulations for the POP Rooms, as same may be amended by Landlord from time to time upon notice to Tenant.

The current version of the POP Room Rules and Regulations is available on the internet at the following url: <http://www.digitalrealty.com/leasing/>.

Additionally, and notwithstanding anything to the contrary contained in the Lease, Tenant hereby agrees, at Tenant's sole cost and expense, to maintain the POP Licensed Areas and Tenant's equipment therein in clean and safe condition, in as good condition as when Tenant took possession, ordinary wear and tear excepted. Upon or prior to the expiration or earlier termination of the Term of the Lease, Tenant shall quit and surrender possession of the POP Licensed Areas to Landlord in good order and clean condition, reasonable wear and tear excepted and shall promptly remove all of Tenant's equipment therein, in accordance with the terms of the Lease.

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[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

**EXHIBIT "H"**

**COMMENCEMENT DATE NOTICE**

\_\_\_\_\_, 201\_\_

VIA [FAX/E-MAIL]: [# OR E-MAIL ADDRESS]

AND FEDERAL EXPRESS

CARBONITE, INC.  
\_\_\_\_\_  
\_\_\_\_\_

Re: That certain TURNKEY DATACENTER LEASE with an effective date of \_\_\_\_\_, 2016 (as amended and modified from time to time, the "Leas e"), by and between CARBONITE, INC. ( "Tenan t"), as tenant, and DIGITAL LOUDOUN PARKWAY CENTER NORTH, LLC ( "Landlor d"), as landlord, covering certain premises more particularly described in the Lease at that certain building located at 44100 Digital Loudoun Plaza, Ashburn, Virginia. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Lease.

Ladies and Gentlemen:

Please be advised that Landlord has caused each of the Commencement Date Conditions to occur. In that connection, please find the Commissioning Complete Letter, attached hereto as Attachment "1". Accordingly, Landlord confirms the following:

1. The Commencement Date of the Lease is \_\_\_\_\_, 2 0\_\_.

2. Tenant's Base Rent schedule is as follows:

- \$ \_\_\_\_\_ for the period \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_  
(the Partial Month) [DELETE IF COMMENCEMENT DATE IS THE 1<sup>ST</sup> T]
- \$ \_\_\_\_\_ per month for the period \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_  
(months 1-12 of the Term)
- \$ \_\_\_\_\_ per month for the period \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_  
(months 13-24 of the Term)
- \$ \_\_\_\_\_ per month for the period \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_  
(months 25-36 of the Term)
- \$ \_\_\_\_\_ per month for the period \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_  
(months 37-48 of the Term)
- \$ \_\_\_\_\_ per month for the period \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_  
(months 49-60 of the Term)

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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Should you have any questions, please contact \_\_\_\_\_ (Property Manager) at \_\_\_\_\_, who will be glad to assist you.

Sincerely,

DIGITAL LOUDOUN PARKWAY CENTER NORTH, LLC,

a Delaware limited liability company

By: Digital Realty Trust, LP.,

a Maryland limited partnership

its member and manager

By: Digital Realty Trust, Inc.,

a Maryland corporation

its general partner

Attest: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

cc: **ADDITIONAL TENANT NOTICE ADDRESSES**

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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ATTACHMENT "1"

COMMISSIONING COMPLETE LETTER

*[USE COMMISSIONING AGENT'S LETTERHEAD]*

COMMISSIONING COMPLETE LETTER

\_\_\_\_\_, 2016

VIA [INSERT METHOD]

[LANDLORD]  
c/o Digital Realty Trust, L.P.  
[LANDLORD'S ADDRESS]

Re: Commissioning of Suite [\*\*\*] (the "Datacenter"), located in that certain building located at 44100 Digital Loudoun Plaza, Ashburn, Virginia.

Ladies and Gentlemen:

We are pleased to advise you that, as of \_\_: \_\_ [AM/PM] on [MONTH] [DATE], 20\_\_ , Level 4 and Level 5 Commissioning of the above-referenced Datacenter are complete. We have concluded that the mechanical and electrical systems supporting the Datacenter are operating in accordance with the design intent. Please note that we will be accumulating the testing data and will forward our final report to you no later than [MONTH] [DATE], 20\_\_.

We understand that third parties (e.g. tenants or potential tenants of the Datacenter and your lenders or potential lenders) may rely on the statements made in this letter (this "Commissioning Complete Letter"), and we authorize you to share this Commissioning Complete Letter with third parties as you see fit.

Should you have any questions, please contact [COMMISSIONING REPRESENTATIVE] at [PHONE #], who will be glad to assist you.

Sincerely,  
[COMMISSIONING AGENT]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

## EXHIBIT "I"

### Remote Hands Addendum

#### Current List of Available Remote Hands Services

Remote Hands services include non-technical and technical skill sets.

Remote Hands services are billed at .25-hour incremental blocks with a minimum of 1 hour.

The then-current list of the prices (including hourly rates) for Remote Hands services is available from RH Provider, upon request from Tenant. As of the Effective Date, the price (hourly rate) for Remote Hands services is equal to [\*\*\*]

#### **24X7X365 SUPPORT**

Qualified onsite technicians are available by phone, email or in person  
24x7x365

#### **SECURE KEY STORAGE**

Keys are securely stored in the Customer Service Center (CSC) allowing for access to cages and cabinets 24x7x365

#### **BackUp tape Swaps**

Tapes for backup systems are changed on request

#### **POWER CYCLING OF EQUIPMENT**

Technicians perform hard-reboots (pressing the power button) or soft-reboots (entering the restart command)

#### **PATCH CORD INSTALLATION**

Technicians can install patch cables based on customer direction

#### **ENERGIZING OF PDUs**

Provider staff can arrange to plug power cables into receptacles under the raised floor

#### **EQUIPMENT ASSISTANCE**

Technicians are available to assist with transport of large pieces of equipment within the Datacenter

#### **KVM AVAILABILITY**

Technicians provide screen outputs before and after reboots

#### **Material Supply Depot**

For the convenience of its customers, RH Provider stocks commonly requested items. These items are available through the Customer Service Center 24/7. Supplies are not provided as part of the Remote Hands services and will be invoiced at cost to the customer. On-site supplies include:

- Cat5E Patch Cables (Assorted Lengths)
- Cat6 Patch Cables (Assorted Lengths)
- Fiber Patch Cables (Single-Mode and Multi-Mode)
- Rack Shelves (Half and Full)
- Rack Screws and Rack Nuts

Items such as custom length/color patch cords, patch panels and cable managers can also be quoted and ordered.

#### **INFRASTRUCTURE DATA CABLING**

Technicians can perform intra-premises backbone cabling

#### **CROSS CONNECT INFRASTRUCTURE**

Technicians are available to assist with telecommunication provider issues by installing temporary loopbacks to verify physical media continuity from the Datacenter or Meet-Me Room demarcation panel to the Premises handoff

#### **EQUIPMENT INVENTORY**

Detailed rack elevation drawings can be provided

#### **HARDWARE REPLACEMENT**

On-site staff can replace hard drives, memory, processors etc. with customer-provided replacements

#### **EQUIPMENT INSTALLATION**

Staff is available to un-box, rack and inventory equipment based on customer specifications. Staff can also install data and power cables and provide as-built documents

#### **CIRCUIT TESTING**

Technicians can provide circuit performance testing

#### **ONE TIME PRE-SCHEDULED EVENT**

Technicians are available to participate in pre-scheduled events such as maintenance windows

#### **ROUTINE SCHEDULED EVENTS**

Customers can avoid opening individual tickets by scheduling routine events such as daily/weekly/monthly tape swaps

#### **PREVENTATIVE MAINTENANCE**

Maintenance services not requiring a password are available based on customer needs

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

- Cat5E Patch Cables (Assorted Lengths)
- Cat6 Patch Cables (Assorted Lengths)
- Fiber Patch Cables (Single-Mode and Multi-Mode)
- Rack Shelves (Half and Full)
- Rack Screws and Rack Nuts

Items such as custom length/color patch cords, patch panels and cable managers can also be quoted and ordered.

\*\*\* Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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**EXHIBIT "J"**

**TENANT MOVING ALLOWANCE**

A. Landlord and Tenant acknowledge and agree that (i) an affiliate of Landlord (“**Digital Affiliate**”) and Tenant are parties to that certain Turn Key Datacenter Lease having an effective date of June 3, 2011 (as amended from time to time, the “**Wakefield Lease**”) covering certain space (the “**Wakefield Premises**”) in that certain building owned by Digital Affiliate and located at 200 Quannapowitt Parkway, Wakefield, Massachusetts; (ii) Digital Affiliate and Tenant are presently negotiating the terms of an amendment to the Wakefield Lease (the “**Wakefield Amendment**”), by which the parties will modify the date on which the term of the Wakefield Lease is scheduled to expire; and (iii) in connection with the expiration of the term of the Wakefield Lease, Tenant intends to remove certain equipment from the Wakefield Premises and install the same in the Premises (the “**Equipment Relocation**”). Provided (i) Landlord and Tenant enter into a fully effective Wakefield Amendment, (ii) no uncured Event of Default by Tenant exists under this Lease or the Wakefield Amendment, and subject to the terms and conditions of this **Exhibit “J”**, Landlord hereby agrees to provide Tenant with a moving allowance (the “**Moving Allowance**”) in an amount equal to [\*\*\*] to reimburse Tenant for the actual, third party, out-of-pocket, reasonable costs incurred by Tenant in connection with the Equipment Relocation.

B. The costs and expenses of performing the TPP Relocation shall be borne solely by Tenant; provided, however that Landlord shall provide to Tenant the Moving Allowance. The Moving Allowance shall be paid by Landlord to Tenant as follows:

(i) Tenant may submit to Landlord applications for progress payments (each, an “**Application for Payment**”), in a form reasonably acceptable to Landlord no more often than once per calendar month. Each Application for Payment shall be for the aggregate cost of the TPP Relocation performed prior to the month in which the applicable Application for Payment is delivered and for which a prior Application for Payment has not been previously submitted to Landlord. The costs and expenses for which each reimbursement is requested shall be segregated and reasonably detailed within a schedule attached to each Application for Payment and must be submitted together with (a) paid invoices for all TPP Relocation work for which reimbursement is then being sought, and (b) to the extent any element of the TPP Relocation includes work performed at the Building by third parties (e.g., removal of equipment and restoration of the Premises), final lien waivers.

(ii) Each Application for Payment with appropriate lien waivers shall be certified by Tenant as to the matters contained therein.

(iii) Within thirty (30) days after Tenant’s submission of an Application for Payment to Landlord, Landlord will pay to Tenant an amount equal to the payment requested on the Application for Payment, provided, however, the aggregate payments shall not exceed the sum of the Moving Allowance.

C. Any portion of the Moving Allowance for which an Application for Payment has not been submitted to Landlord within **three hundred sixty-five (365) days** after the Effective Date shall be deemed to have been forfeited by Tenant and shall remain the property of Landlord.

[\*\*\*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

## CERTIFICATIONS

I, Mohamad Ali, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Carbonite, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2016

/s/ Mohamad Ali

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Mohamad Ali

Chief Executive Officer

## CERTIFICATIONS

I, Anthony Folger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Carbonite, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2016

/s/ Anthony Folger

Anthony Folger

Chief Financial Officer

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

In connection with the Quarterly Report of Carbonite, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mohamad Ali, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mohamad Ali

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Mohamad Ali  
President, and Chief Executive Officer

November 9, 2016

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Carbonite, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony Folger, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anthony Folger

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Anthony Folger  
Chief Financial Officer

November 9, 2016

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.