

SEGMENT PROFIT (1) AND SEGMENT MARGIN (2)
Revenues:

Data center services

Internet protocol (IP) services

Total

Direct costs of network, sales and services, exclusive of depreciation and amortization:

Data center services

IP services

Total

Segment profit (1):

Data center services

IP services

Total

Segment margin (2):

Data center services

IP services

Total

ADJUSTED OPERATING EXPENSE (3)
Total operating costs and expenses (GAAP)

Total operating costs and expenses as % of revenue

Direct costs of network and sales, exclusive of depreciation and amortization

Stock-based compensation

Depreciation and amortization

(Loss) gain on disposal of property and equipment, net

Exit activities, restructuring and impairments

Acquisition costs

Adjusted operating expense (3) (non-GAAP)

Adjusted operating expense (non-GAAP) as % of revenue

STOCK-BASED COMPENSATION EXPENSE SUMMARY

Direct costs of customer support

Sales and marketing

General and administrative

Total

ADJUSTED EBITDA (4)
Income (loss) from operations (GAAP)

Depreciation and amortization

Loss (gain) on disposal of property and equipment, net

Exit activities, restructuring and impairments

Stock-based compensation

Acquisition costs

Adjusted EBITDA (4) (non-GAAP)
Adjusted EBITDA Margin (5) (non-GAAP)

	Q113	Q213	Q313	Q413	Q114	Q214	Q314
Revenues:							
Data center services	\$ 44,392	\$ 45,580	\$ 45,488	\$ 49,686	\$ 58,283	\$ 61,395	\$ 61,640
Internet protocol (IP) services	25,307	24,403	24,084	24,401	23,678	22,673	23,027
Total	69,699	69,983	69,572	74,087	81,961	84,068	84,667
Direct costs of network, sales and services, exclusive of depreciation and amortization:							
Data center services	22,647	22,643	23,171	24,103	25,891	26,563	27,716
IP services	10,223	10,010	9,624	9,590	9,869	9,999	9,432
Total	32,870	32,653	32,795	33,693	35,760	36,562	37,148
Segment profit (1):							
Data center services	21,745	22,937	22,317	25,583	32,392	34,832	33,924
IP services	15,084	14,393	14,460	14,811	13,809	12,674	13,595
Total	\$ 36,829	\$ 37,330	\$ 36,777	\$ 40,394	\$ 46,201	\$ 47,506	\$ 47,519
Segment margin (2):							
Data center services	49.0%	50.3%	49.1%	51.5%	55.6%	56.7%	55.0%
IP services	59.6%	59.0%	60.0%	60.7%	58.3%	55.9%	59.0%
Total	52.8%	53.3%	52.9%	54.5%	56.4%	56.5%	56.1%
ADJUSTED OPERATING EXPENSE (3)							
Total operating costs and expenses (GAAP)	\$ 68,879	\$ 71,082	\$ 70,926	\$ 79,942	\$ 86,498	\$ 88,582	\$ 87,702
Total operating costs and expenses as % of revenue	98.8%	101.6%	101.9%	107.9%	105.5%	105.4%	103.6%
Direct costs of network and sales, exclusive of depreciation and amortization	(32,870)	(32,653)	(32,795)	(33,693)	(35,760)	(36,562)	(37,148)
Stock-based compensation	(1,637)	(1,741)	(1,709)	(1,653)	(1,941)	(1,956)	(1,778)
Depreciation and amortization	(11,437)	(12,744)	(13,537)	(15,429)	(18,926)	(19,468)	(20,915)
(Loss) gain on disposal of property and equipment, net	(3)	2	(4)	(5)	-	(32)	-
Exit activities, restructuring and impairments	(248)	(683)	(274)	(209)	(1,384)	(1,561)	(56)
Acquisition costs	-	-	-	(4,210)	(85)	-	-
Adjusted operating expense (3) (non-GAAP)	\$ 22,684	\$ 23,263	\$ 22,607	\$ 24,743	\$ 28,402	\$ 29,003	\$ 27,805
Adjusted operating expense (non-GAAP) as % of revenue	32.5%	33.2%	32.5%	33.4%	34.7%	34.5%	32.8%
STOCK-BASED COMPENSATION EXPENSE SUMMARY							
Direct costs of customer support	\$ 222	\$ 329	\$ 331	\$ 226	\$ 284	\$ 333	\$ 353
Sales and marketing	259	342	359	150	252	289	248
General and administrative	1,156	1,070	1,019	1,277	1,405	1,334	1,177
Total	\$ 1,637	\$ 1,741	\$ 1,709	\$ 1,653	\$ 1,941	\$ 1,956	\$ 1,778
ADJUSTED EBITDA (4)							
Income (loss) from operations (GAAP)	\$ 820	\$ (1,099)	\$ (1,354)	\$ (5,855)	\$ (4,537)	\$ (4,514)	\$ (3,035)
Depreciation and amortization	11,437	12,744	13,537	15,429	18,926	19,468	20,915
Loss (gain) on disposal of property and equipment, net	3	(2)	4	5	-	32	-
Exit activities, restructuring and impairments	248	683	274	209	1,384	1,561	56
Stock-based compensation	1,637	1,741	1,709	1,653	1,941	1,956	1,778
Acquisition costs	-	-	-	4,210	85	-	-
Adjusted EBITDA (4) (non-GAAP)	\$ 14,145	\$ 14,067	\$ 14,170	\$ 15,651	\$ 17,799	\$ 18,503	\$ 19,714
Adjusted EBITDA Margin (5) (non-GAAP)	20.3%	20.1%	20.4%	21.1%	21.7%	22.0%	23.3%

**NORMALIZED NET INCOME (LOSS) (6) AND BASIC AND
 DILUTED NORMALIZED NET INCOME (LOSS) PER SHARE (7)**

	Q113	Q213	Q313	Q413	Q114	Q214	Q314
Net loss (GAAP)	\$ (1,643)	\$ (3,702)	\$ (4,035)	\$ (10,450)	\$ (10,675)	\$ (11,185)	\$ (9,377)
Exit activities, restructuring and impairments	248	683	274	209	1,384	1,561	56
Stock-based compensation	1,637	1,741	1,709	1,653	1,941	1,956	1,778
Acquisition costs	-	-	-	4,210	85	-	-
Normalized net income (loss) (6) (non-GAAP)	<u>\$ 242</u>	<u>\$ (1,278)</u>	<u>\$ (2,052)</u>	<u>\$ (4,378)</u>	<u>\$ (7,265)</u>	<u>\$ (7,668)</u>	<u>\$ (7,543)</u>
Normalized net income allocable to participating securities (non-GAAP)	5	-	-	-	-	-	-
Net loss available to common stockholders (GAAP) (8)	\$ (1,643)	\$ (3,702)	\$ (4,035)	\$ (10,450)	\$ (10,675)	\$ (11,185)	\$ (9,377)
Normalized net income (loss) available to common stockholders (non-GAAP) (8)	<u>\$ 237</u>	<u>\$ (1,278)</u>	<u>\$ (2,052)</u>	<u>\$ (4,378)</u>	<u>\$ (7,265)</u>	<u>\$ (7,668)</u>	<u>\$ (7,543)</u>
Weighted average shares outstanding used in per share calculation:							
Basic (GAAP)	50,771	50,856	50,882	50,898	51,027	51,045	51,063
Participating securities (GAAP) (8)	1,024	997	1,008	1,049	1,105	1,119	1,083
Diluted (GAAP)	50,771	50,856	50,882	50,898	51,027	51,045	51,063
Add potentially dilutive securities	873	-	-	-	-	-	-
Less dilutive effect of stock-based compensation under the treasury stock method	(128)	-	-	-	-	-	-
Normalized diluted shares (non-GAAP) (9)	<u>51,516</u>	<u>50,856</u>	<u>50,882</u>	<u>50,898</u>	<u>51,027</u>	<u>51,045</u>	<u>51,063</u>
Net loss per share (GAAP):							
Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>	<u>\$ (0.08)</u>	<u>\$ (0.21)</u>	<u>\$ (0.21)</u>	<u>\$ (0.22)</u>	<u>\$ (0.18)</u>
Normalized net income (loss) per share (non-GAAP) (7):							
Basic and diluted	<u>\$ 0.00</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>	<u>\$ (0.14)</u>	<u>\$ (0.15)</u>	<u>\$ (0.15)</u>

Notes:

- (1) Segment profit is a non-GAAP measure and is segment revenues less direct cost of network, sales and services, exclusive of depreciation and amortization. Segment profit does not include direct costs of customer support, direct costs of amortization of acquired technologies or any other depreciation or amortization associated with direct costs. A presentation of segment profit can be found in the attachment to our earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.
- (2) Segment margin is a non-GAAP measure and is segment profit as a percentage of segment revenues. A presentation of segment profit can be found in the attachment to our earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.
- (3) Adjusted operating expense is a non-GAAP measure and is operating expense defined by GAAP, less direct cost of network and sales, depreciation and amortization, impairments and restructuring and stock-based compensation expense.
- (4) Adjusted EBITDA is a non-GAAP measure and is income (loss) from operations plus depreciation and amortization, gain (loss) on disposals of property and equipment, exit activities, restructuring and impairments and stock-based compensation. A reconciliation of Adjusted EBITDA to GAAP loss from operations can be found in the attachment to our earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.
- (5) Adjusted EBITDA margin is a non-GAAP measure and is adjusted EBITDA as a percentage of revenues.
- (6) Normalized net income (loss) is a non-GAAP measure and is net income (loss) excluding restructuring and impairments, stock-based compensation and certain items that management considers non-recurring.
- (7) Normalized net income (loss) per share is a non-GAAP measure and is normalized net income (loss) divided by basic and normalized diluted shares.
- (8) Net income (loss) and normalized net income (loss) available to common stockholders are non-GAAP measures and exclude amounts allocated to unvested restricted stock awards, which, by definition, are participating securities. However, participating securities do not share in any net loss or normalized net loss.
- (9) Normalized diluted shares is defined as diluted common shares outstanding used in GAAP net income (loss) per share calculation, excluding the effect of stock-based compensation under the treasury stock method.