

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
 Gain (loss) on disposal of property and equipment, net
 Exit activities, restructuring and impairments

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
 (Gain) loss on disposal of property and equipment, net
 Exit activities, restructuring and impairments
 Stock-based compensation

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

	Q112	Q212	Q312	Q412	Q113	Q213
Revenues:						
Data center services	\$ 39,938	\$ 41,493	\$ 42,139	\$ 43,716	\$ 44,392	\$ 45,580
Internet protocol (IP) services	27,090	27,194	25,990	26,032	25,307	24,403
Total	67,028	68,687	68,129	69,748	69,699	69,983
Direct costs of network, sales and services, exclusive of depreciation and amortization:						
Data center services	20,970	22,649	23,539	23,445	22,647	22,643
IP services	10,184	9,992	10,034	10,140	10,223	10,010
Total	31,154	32,641	33,573	33,585	32,870	32,653
Segment profit (1):						
Data center services	18,968	18,844	18,600	20,271	21,745	22,937
IP services	16,906	17,202	15,956	15,892	15,084	14,393
Total	\$ 35,874	\$ 36,046	\$ 34,556	\$ 36,163	\$ 36,829	\$ 37,330
Segment margin (2):						
Data center services	47.5%	45.4%	44.1%	46.4%	49.0%	50.3%
IP services	62.4%	63.3%	61.4%	61.0%	59.6%	59.0%
Total	53.5%	52.5%	50.7%	51.8%	52.8%	53.3%
ADJUSTED OPERATING EXPENSE (3)						
Total operating costs and expenses (GAAP)	\$ 65,320	\$ 68,596	\$ 68,213	\$ 67,698	\$ 68,879	\$ 71,082
Total operating costs and expenses as % of revenue	97.5%	99.9%	100.1%	97.1%	98.8%	101.6%
Direct costs of network and sales, exclusive of depreciation and amortization	(31,154)	(32,641)	(33,573)	(33,585)	(32,870)	(32,653)
Stock-based compensation	(1,404)	(1,615)	(1,363)	(1,476)	(1,637)	(1,741)
Depreciation and amortization	(9,094)	(9,843)	(11,064)	(10,864)	(11,437)	(12,744)
Gain (loss) on disposal of property and equipment, net	16	4	-	35	(3)	2
Exit activities, restructuring and impairments	(43)	(645)	(124)	(610)	(248)	(683)
Adjusted operating expense (3) (non-GAAP)	\$ 23,641	\$ 23,856	\$ 22,089	\$ 21,198	\$ 22,684	\$ 23,263
Adjusted operating expense (non-GAAP) as % of revenue	35.3%	34.7%	32.4%	30.4%	32.5%	33.2%
STOCK-BASED COMPENSATION EXPENSE SUMMARY						
Direct costs of customer support	\$ 250	\$ 205	\$ 234	\$ 247	\$ 222	\$ 329
Sales and marketing	180	243	241	265	259	342
General and administrative	974	1,167	888	964	1,156	1,070
Total	\$ 1,404	\$ 1,615	\$ 1,363	\$ 1,476	\$ 1,637	\$ 1,741
ADJUSTED EBITDA (4)						
Income (loss) from operations (GAAP)	\$ 1,708	\$ 91	\$ (84)	\$ 2,049	\$ 820	\$ (1,099)
Depreciation and amortization	9,094	9,843	11,064	10,864	11,437	12,744
(Gain) loss on disposal of property and equipment, net	(16)	(4)	-	(35)	3	(2)
Exit activities, restructuring and impairments	43	645	124	610	248	683
Stock-based compensation	1,404	1,615	1,363	1,476	1,637	1,741
Adjusted EBITDA (4) (non-GAAP)	\$ 12,233	\$ 12,190	\$ 12,467	\$ 14,964	\$ 14,145	\$ 14,067
Adjusted EBITDA Margin (5) (non-GAAP)	18.3%	17.7%	18.3%	21.5%	20.3%	20.1%

	Q112	Q212	Q312	Q412	Q113	Q213
NORMALIZED NET INCOME (LOSS) (6) AND BASIC AND DILUTED NORMALIZED NET INCOME (LOSS) PER SHARE (7)						
Net income (loss) (GAAP)	\$ 107	\$ (1,997)	\$ (2,450)	\$ 21	\$ (1,643)	\$ (3,702)
Exit activities, restructuring and impairments	43	645	124	610	248	683
Stock-based compensation	1,404	1,615	1,363	1,476	1,637	1,741
Normalized net income (loss) (6) (non-GAAP)	\$ 1,554	\$ 263	\$ (963)	\$ 2,107	\$ 242	\$ (1,278)
Normalized net income allocable to participating securities (non-GAAP)	38	6	-	45	5	-
Net loss available to common stockholders (GAAP) (8)	\$ 104	\$ (1,997)	\$ (2,450)	\$ 21	\$ (1,643)	\$ (3,702)
Normalized net income (loss) available to common stockholders (non-GAAP) (8)	\$ 1,516	\$ 257	\$ (963)	\$ 2,062	\$ 237	\$ (1,278)
Weighted average shares outstanding used in per share calculation:						
Basic (GAAP)	50,336	50,453	50,572	50,606	50,771	50,856
Participating securities (GAAP) (8)	1,255	1,128	1,117	1,109	1,024	997
Diluted (GAAP)	51,033	50,453	50,572	51,227	50,771	50,856
Add potentially dilutive securities	-	709	-	-	873	-
Less dilutive effect of stock-based compensation under the treasury stock method	(323)	(251)	-	(152)	(128)	-
Normalized diluted shares (non-GAAP) (9)	50,710	50,911	50,572	51,075	51,516	50,856
Net income (loss) per share (GAAP):						
Basic and diluted	\$ 0.00	\$ (0.04)	\$ (0.05)	\$ 0.00	\$ (0.03)	\$ (0.07)
Normalized net income (loss) per share (non-GAAP) (7):						
Basic and diluted	\$ 0.03	\$ 0.01	\$ (0.02)	\$ 0.04	\$ 0.00	\$ (0.03)

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 second quarter 2013 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 second quarter 2013 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 second quarter 2013 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.