

SEGMENT PROFIT (1) AND SEGMENT MARGIN (2)

	Q110	Q210	Q310	Q410	Q111	Q211
Revenues:						
Data center services	\$ 33,722	\$ 31,197	\$ 31,550	\$ 31,732	\$ 31,542	\$ 32,481
Internet protocol (IP) services	29,643	29,328	28,765	28,227	27,862	27,929
Total	<u>63,365</u>	<u>60,525</u>	<u>60,315</u>	<u>59,959</u>	<u>59,404</u>	<u>60,410</u>
Direct costs of network, sales and services, exclusive of depreciation and amortization:						
Data center services	23,043	19,784	20,405	19,529	18,530	19,733
IP services	11,042	11,479	11,162	10,979	10,500	10,836
Total	<u>34,085</u>	<u>31,263</u>	<u>31,567</u>	<u>30,508</u>	<u>29,030</u>	<u>30,569</u>
Segment profit (1):						
Data center services	10,679	11,413	11,145	12,203	13,012	12,748
IP services	18,601	17,849	17,603	17,248	17,362	17,093
Total	<u>\$ 29,280</u>	<u>\$ 29,262</u>	<u>\$ 28,748</u>	<u>\$ 29,451</u>	<u>\$ 30,374</u>	<u>\$ 29,841</u>
Segment margin (2):						
Data center services	31.7%	36.6%	35.3%	38.5%	41.3%	39.2%
IP services	62.8%	60.9%	61.2%	61.1%	62.3%	61.2%
Total	<u>46.2%</u>	<u>48.3%</u>	<u>47.7%</u>	<u>49.1%</u>	<u>51.1%</u>	<u>49.4%</u>

ADJUSTED OPERATING EXPENSE (3)

Total operating costs and expenses (GAAP)	\$ 63,251	\$ 61,238	\$ 60,851	\$ 59,720	\$ 60,292	\$ 62,081
Total operating costs and expenses as % of revenue	99.8%	101.2%	100.9%	99.6%	101.5%	102.8%
Direct costs of network and sales, exclusive of depreciation and amortization	(34,085)	(31,263)	(31,567)	(30,508)	(29,030)	(30,569)
Stock-based compensation	(991)	(1,444)	(1,114)	(1,080)	(911)	(989)
Depreciation and amortization	(8,753)	(7,992)	(8,580)	(8,644)	(8,928)	(9,643)
(Loss) gain on disposal of property and equipment, net	(1)	(18)	13	(109)	(73)	(11)
Restructuring	(18)	(1,183)	-	(210)	(189)	(1,304)
Adjusted operating expense (3) (non-GAAP)	\$ 19,403	\$ 19,338	\$ 19,603	\$ 19,169	\$ 21,161	\$ 19,565
Adjusted operating expense (non-GAAP) as % of revenue	30.6%	32.0%	32.5%	32.0%	35.6%	32.4%

STOCK-BASED COMPENSATION EXPENSE SUMMARY

Direct costs of customer support	\$ 175	\$ 195	\$ 181	\$ 204	\$ 179	\$ 179
Sales and marketing	256	270	263	155	228	262
General and administrative	560	981	670	721	504	548
Total	\$ 991	\$ 1,446	\$ 1,114	\$ 1,080	\$ 911	\$ 989

ADJUSTED EBITDA (4)

Income (loss) from operations (GAAP)	\$ 114	\$ (713)	\$ (536)	\$ 239	\$ (888)	\$ (1,671)
Stock-based compensation	991	1,444	1,114	1,080	911	989
Depreciation and amortization	8,753	7,992	8,580	8,644	8,928	9,643
Loss (gain) on disposal of property and equipment, net	1	18	(13)	109	73	11
Restructuring	18	1,183	-	210	189	1,304
Adjusted EBITDA (4) (non-GAAP)	\$ 9,877	\$ 9,924	\$ 9,145	\$ 10,282	\$ 9,213	\$ 10,276
Adjusted EBITDA Margin (5)(non-GAAP)	15.6%	16.4%	15.2%	17.1%	15.5%	17.0%

	Q110	Q210	Q310	Q410	Q111	Q211
NORMALIZED NET INCOME (LOSS) (6) AND BASIC AND DILUTED NORMALIZED NET INCOME (LOSS) PER SHARE (7)						
Net loss (GAAP)	\$ (260)	\$ (1,271)	\$ (1,662)	\$ (429)	\$ (1,500)	\$ (2,612)
Restructuring	18	1,183	-	210	189	1,304
Stock-based compensation	991	1,444	1,114	1,080	911	989
Normalized net income (loss) (6)(non-GAAP)	\$ 749	\$ 1,356	\$ (548)	\$ 861	\$ (400)	\$ (319)
Normalized net income allocable to participating securities (non-GAAP)	17	30	-	19	-	-
Net loss available to common stockholders (GAAP) (8)	\$ (260)	\$ (1,271)	\$ (1,662)	\$ (429)	\$ (1,500)	\$ (2,612)
Normalized net income (loss) available to common stockholders (non-GAAP) (8)	\$ 732	\$ 1,326	\$ (548)	\$ 842	\$ (400)	\$ (319)
Weighted average shares outstanding used in per share calculation:						
Basic (GAAP)	49,944	50,013	50,026	50,061	50,124	50,174
Participating securities (GAAP) (8)	1,193	1,132	1,118	1,103	1,087	1,086
Diluted (GAAP)	49,944	50,013	50,026	50,061	50,124	50,174
Add potentially dilutive securities	519	450	-	436	-	-
Less dilutive effect of stock-based compensation under the treasury stock method	(359)	(347)	-	(267)	-	-
Normalized diluted shares (non-GAAP) (9)	50,104	50,116	50,026	50,230	50,124	50,174
Net loss per share (GAAP):						
Basic and diluted	\$ (0.01)	\$ (0.03)	\$ (0.03)	\$ (0.01)	\$ (0.03)	\$ (0.05)
Normalized net income (loss) per share (non-GAAP) (7):						
Basic and diluted	\$ 0.01	\$ 0.03	\$ (0.01)	\$ 0.02	\$ (0.01)	\$ (0.01)

Notes:

(1) Segment profit is defined as segment revenues less direct cost of network, sales and services, exclusive of depreciation and amortization for the segment, as presented in the notes to our financial statements filed with the United States Securities and Exchange Commission in Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. 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.

(2) Segment margin is defined as segment profit as a percentage of segment revenues.

(3) Adjusted operating expense is defined as operating expense defined by accounting principles generally accepted in the United States of America, or GAAP, less direct cost of network and sales, depreciation and amortization, impairments and restructuring and stock-based compensation expense.

(4) Adjusted EBITDA is defined as income (loss) from operations plus stock-based compensation, depreciation and amortization, (loss) gain on disposal of property and equipment, and impairments and restructuring.

(5) Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of revenues.

(6) Normalized net income (loss) is defined as net income (loss) plus stock-based compensation and impairments and restructuring.

(7) Normalized net income (loss) per share is defined as normalized net income (loss) divided by basic and normalized diluted shares.

(8) Net (loss) income and normalized net income (loss) available to common stockholders excludes 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.