

SEGMENT PROFIT (1) AND SEGMENT MARGIN (2)

Revenues:

Data center services	Internet protocol (IP) services	Total
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	Q113	Q213	Q313	Q413	Q114
	\$ 44,392	\$ 45,580	\$ 45,488	\$ 49,686	\$ 58,283
	25,307	24,403	24,084	24,401	23,678
	69,699	69,983	69,572	74,087	81,961

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

Data center services	IP services	Total
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	22,647	22,643	23,171	24,103	25,891
	10,223	10,010	9,624	9,590	9,869
	32,870	32,653	32,795	33,693	35,760

Segment profit (1):

Data center services	IP services	Total
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	21,745	22,937	22,317	25,583	32,392
	15,084	14,393	14,460	14,811	13,809
	\$ 36,829	\$ 37,330	\$ 36,777	\$ 40,394	\$ 46,201

Segment margin (2):

Data center services	IP services	Total
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	49.0%	50.3%	49.1%	51.5%	55.6%
	59.6%	59.0%	60.0%	60.7%	58.3%
	52.8%	53.3%	52.9%	54.5%	56.4%

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
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	\$ 68,879	\$ 71,082	\$ 70,926	\$ 79,942	\$ 86,498
	98.8%	101.6%	101.9%	107.9%	105.5%
	(32,870)	(32,653)	(32,795)	(33,693)	(35,760)
	(1,637)	(1,741)	(1,709)	(1,653)	(1,941)
	(11,437)	(12,744)	(13,537)	(15,429)	(18,926)
	(3)	2	(4)	(5)	-
	(248)	(683)	(274)	(209)	(1,384)
	-	-	-	(4,210)	(85)
	\$ 22,684	\$ 23,263	\$ 22,607	\$ 24,743	\$ 28,402
	32.5%	33.2%	32.5%	33.4%	34.7%

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
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	\$ 222	\$ 329	\$ 331	\$ 226	\$ 284
	259	342	359	150	252
	1,156	1,070	1,019	1,277	1,405
	\$ 1,637	\$ 1,741	\$ 1,709	\$ 1,653	\$ 1,941

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
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	\$ 820	\$ (1,099)	\$ (1,354)	\$ (5,855)	\$ (4,537)
	11,437	12,744	13,537	15,429	18,926
	3	(2)	4	5	-
	248	683	274	209	1,384
	1,637	1,741	1,709	1,653	1,941
	-	-	-	4,210	85
	\$ 14,145	\$ 14,067	\$ 14,170	\$ 15,651	\$ 17,799
	20.3%	20.1%	20.4%	21.1%	21.7%

Adjusted EBITDA (4) (non-GAAP)

Adjusted EBITDA Margin (5) (non-GAAP)

NORMALIZED NET INCOME (LOSS) (6) AND BASIC AND
DILUTED NORMALIZED NET INCOME (LOSS) PER SHARE (7)
Net loss (GAAP)

Exit activities, restructuring and impairments

Stock-based compensation

Acquisition costs

Normalized net income (loss) (6) (non-GAAP)

Normalized net income allocable to participating securities (non-GAAP)

Net loss available to common stockholders (GAAP) (8)
Normalized net income (loss) available to common stockholders (non-GAAP) (8)

Weighted average shares outstanding used in per share calculation:

Basic (GAAP)

Participating securities (GAAP) (8)

Diluted (GAAP)

Add potentially dilutive securities

Less dilutive effect of stock-based compensation under the treasury stock method

Normalized diluted shares (non-GAAP) (9)
Net loss per share (GAAP):
Basic and diluted
Normalized net income (loss) per share (non-GAAP) (7):
Basic and diluted

	Q113	Q213	Q313	Q413	Q114
Net loss (GAAP)	\$ (1,643)	\$ (3,702)	\$ (4,035)	\$ (10,450)	\$ (10,675)
Exit activities, restructuring and impairments	248	683	274	209	1,384
Stock-based compensation	1,637	1,741	1,709	1,653	1,941
Acquisition costs	-	-	-	4,210	85
Normalized net income (loss) (6) (non-GAAP)	\$ 242	\$ (1,278)	\$ (2,052)	\$ (4,378)	\$ (7,265)
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)
Normalized net income (loss) available to common stockholders (non-GAAP) (8)	\$ 237	\$ (1,278)	\$ (2,052)	\$ (4,378)	\$ (7,265)
Basic (GAAP)	50,771	50,856	50,882	50,898	51,027
Participating securities (GAAP) (8)	1,024	997	1,008	1,049	1,105
Diluted (GAAP)	50,771	50,856	50,882	50,898	51,027
Add potentially dilutive securities	873	-	-	-	-
Less dilutive effect of stock-based compensation under the treasury stock method	(128)	-	-	-	-
Normalized diluted shares (non-GAAP) (9)	51,516	50,856	50,882	50,898	51,027
Net loss per share (GAAP):					
Basic and diluted	\$ (0.03)	\$ (0.07)	\$ (0.08)	\$ (0.21)	\$ (0.21)
Normalized net income (loss) per share (non-GAAP) (7):					
Basic and diluted	\$ 0.00	\$ (0.03)	\$ (0.04)	\$ (0.09)	\$ (0.14)

Notes:

- 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 first quarter 2014 earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.
- 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 first quarter 2014 earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.
- 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.
- 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 fourth quarter 2013 earnings press release, which is available on our website and furnished to the Securities and Exchange Commission.
- Adjusted EBITDA margin is a non-GAAP measure and is adjusted EBITDA as a percentage of revenues.
- 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.
- Normalized net income (loss) per share is a non-GAAP measure and is normalized net income (loss) divided by basic and normalized diluted shares.
- 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.
- 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.