

Carbonite Inc  
Form PRER14A  
May 08, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**SCHEDULE 14A**  
**(RULE 14A-101)**

**Proxy Statement Pursuant to Section 14(a) of**  
**the Securities Exchange Act of 1934**  
**(Amendment No. 1)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

**CARBONITE, INC.**

**(Name of Registrant as Specified in Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing

fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party

(4) Date Filed:

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**PRELIMINARY - SUBJECT TO COMPLETION**

[ ], 2015

Dear Fellow Stockholders:

I am pleased to invite you to attend the 2015 Annual Meeting of Stockholders of Carbonite, Inc. (the Company ) to be held on [ ], June [ ], 2015 at 9:00 a.m. Eastern Time at Foley & Lardner LLP, 111 Huntington Avenue, Boston, MA 02199.

Details regarding the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement.

Engine Capital, L.P. ( Engine Capital ) has provided notice of its intention to propose three director nominees for election at the Annual Meeting. **OUR BOARD OF DIRECTORS URGES YOU TO VOTE ONLY FOR OUR BOARD S PROPOSED NOMINEES BY USING THE ENCLOSED WHITE PROXY CARD, TO DISREGARD ANY MATERIALS SENT BY ENGINE CAPITAL AND NOT TO SIGN OR RETURN OR VOTE ANY PROXY CARD SENT TO YOU BY ENGINE CAPITAL OR ANYONE SOLICITING PROXIES TO VOTE FOR ANY OF THE NOMINEES OF ENGINE CAPITAL.**

Our Board of Directors is committed to acting in the best interests of all of the Company s stockholders and, after considering the proposed nominees of Engine Capital, strongly urges all of the Company s stockholders to reject Engine Capital s efforts to replace any of the current directors on our Board of Directors. **Accordingly, our Board of Directors recommends that you vote FOR its director nominees, Mohamad Ali, Peter Gyenes and Pravin Vazirani, and FOR Proposals 2 and 3 using the WHITE proxy card.**

**We urge you NOT to sign or return any proxy cards sent by Engine Capital.** If you have already voted using a proxy card sent to you by Engine Capital, you can revoke it by subsequently executing and delivering the **WHITE** proxy card or by voting in person at the Annual Meeting. You may also vote over the Internet using the Internet address on the **WHITE** proxy card or by telephone using the toll-free number on the **WHITE** proxy card. Only your last-dated proxy will count, and any proxy may be revoked at any time prior to its exercise at the Annual Meeting as described in this Proxy Statement.

Your vote is important. Whether or not you plan to attend the 2015 Annual Meeting, I hope that you will vote as soon as possible.

Thank you for your ongoing support of and continued interest in Carbonite, Inc. Our Board of Directors is committed to acting in your best interests. We look forward to seeing you at our Annual Meeting.

Sincerely,

Mohamad Ali  
*President and Chief Executive Officer*

**Two Avenue de Lafayette**

**Boston, Massachusetts 02111**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE [ ], 2015**

Notice is hereby given that the 2015 Annual Meeting of Stockholders (the Annual Meeting ) of Carbonite, Inc., a Delaware corporation (the Company ), will be held at Foley & Lardner LLP, 111 Huntington Avenue, Boston, MA 02199, on [ ], June [ ], 2015, at 9:00 a.m. Eastern Time for the following purposes:

1. To elect three Class I directors to hold office until the 2018 annual meeting of stockholders or until their successors are elected and qualified;
2. To ratify the selection by the Audit Committee of the Board of Directors of the Company (the Audit Committee ) of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2015;
3. To approve, on an advisory basis, the compensation of the Company s named executive officers as disclosed in the accompanying materials; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Stockholders of record at the close of business on Friday, April 10, 2015 (the Record Date ) are entitled to receive this notice of the Annual Meeting and to vote at the Annual Meeting and at any adjournments of such meeting.

This Proxy Statement and the accompanying **WHITE** proxy card are first being sent or given to stockholders of record on or about [ ], 2015.

Whether or not you plan to attend the meeting, **please sign and return the enclosed WHITE proxy card as promptly as possible** in the envelope enclosed for your convenience, or please vote via the Internet or phone using the instructions on the **WHITE** proxy card. If you receive more than one **WHITE** proxy card because your shares are registered in different names or addresses, each **WHITE** proxy card should be signed and returned to assure that all of your shares are represented at the meeting. Proxies forwarded by or for banks, brokers or other nominees should be returned as requested by them. The prompt return of proxies will save the expense involved in further communication.

You can find detailed information regarding voting in the section entitled Information About the Annual Meeting and Voting on pages 7 through 10 of this Proxy Statement. If you have any questions or require assistance in voting, please contact MacKenzie Partners, Inc. toll-free at (800) 322-2885 or call collect (212) 929-5500.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING, PLEASE MARK, SIGN AND DATE THE ENCLOSED WHITE PROXY CARD AND RETURN IT IN THE ENCLOSED PREPAID ENVELOPE OR, IF YOU PREFER, SUBMIT YOUR PROXY BY TELEPHONE OR VIA THE INTERNET USING THE INSTRUCTIONS ON THE WHITE PROXY CARD**

**TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH TO DO SO, EVEN IF YOU HAVE PREVIOUSLY SUBMITTED YOUR PROXY.**

By Order of the Board of Directors,

Danielle Sheer

*General Counsel, Vice President, and  
Secretary*

[ ], 2015

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

**FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE [ ], 2015**

The Proxy Statement and the Company's 2014 Annual Report to stockholders (the Annual Report) are available at [www.carbonite.com](http://www.carbonite.com).

**IMPORTANT**

Our Board urges you **NOT** to sign any proxy card sent to you by Engine Capital or anyone soliciting proxies to vote for any of the nominees of Engine Capital. Engine Capital has notified the Company that it intends to propose three director nominees for election at the Annual Meeting. If you have already signed any proxy card provided by Engine Capital, you have every legal right to change your vote by using the enclosed **WHITE** proxy card to vote **TODAY** - by telephone or by Internet using the instructions on the **WHITE** proxy card, or by signing, dating and returning the **WHITE** proxy card in the postage-paid envelope provided.

**PRELIMINARY - SUBJECT TO COMPLETION**

**Two Avenue de Lafayette**

**Boston, Massachusetts 02111**

**PROXY STATEMENT**

**FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE [ ], 2015**

The Board of Directors of Carbonite, Inc. is soliciting your proxy to vote at the Annual Meeting of Stockholders to be held on [ ], June [ ], 2015, at 9:00 a.m. Eastern Time and any adjournment or postponement of that meeting (the Annual Meeting ). The Annual Meeting will be held at Foley & Lardner LLP, 111 Huntington Avenue, Boston, MA 02199. On or about [ ], 2015, we first mailed this Proxy Statement and the accompanying **WHITE** proxy card to stockholders of record as of April 10, 2015 (the Record Date ). The only voting securities of Carbonite are shares of common stock, par value \$0.01 per share (the Common Stock ). There were 27,332,782 shares of Common Stock outstanding as of the Record Date. We need the holders of a majority in voting power of the shares of Common Stock issued and outstanding and entitled to vote, present in person or represented by proxy, to hold the Annual Meeting.

In this Proxy Statement, we refer to Carbonite, Inc. as the Company, Carbonite, we, or us and the Board of Directors as our Board. When we refer to Carbonite's fiscal year, we mean the twelve-month period ending December 31 of the stated year.

The Company's Annual Report, including our Form 10-K for the year ended December 31, 2014, as amended (our Form 10-K ), contains consolidated financial statements for the 2014 fiscal year and accompanies this Proxy Statement. You also may obtain a copy of our Form 10-K that was filed with the Securities and Exchange Commission (the SEC ), without charge, by writing to our Investor Relations department at the above address. Our Form 10-K is also posted on our website at <http://investor.carbonite.com/sec.cfm>.

**Proxy Summary**

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider and you should read the entire Proxy Statement before voting.

**2015 Annual Meeting of Shareholders**

**Date & Time:** [ ], June [ ], 2015, at 9:00 a.m. EST

**Record Date:** April 10, 2015

**Place:** Foley & Lardner LLP

111 Huntington Avenue

Boston, MA 02199

**Voting:** Only stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. Each share of Common Stock outstanding on the Record Date is entitled to one vote on each matter.

**Meeting Agenda and Voting Matters**

<b>Item</b>	<b>Management Proposal</b>	<b>Board Vote Recommendation</b>	<b>Page Reference (for more detail)</b>
1	Election of three Class I directors to hold office until the 2018 annual meeting of stockholders or until their successors are elected and qualified	FOR each of our Board's director nominees named in the Proxy Statement	24
2	Ratification of the selection by the Audit Committee of our Board of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2015	FOR	25
3	Approval, on an advisory basis, of the compensation of the Company's named executive officers	FOR	26

**Our Board urges you to vote for our Board's nominees and proposals by using the enclosed WHITE proxy card and not to sign or return or vote any proxy card sent to you by Engine Capital or anyone soliciting proxies to vote for any of the nominees of Engine Capital.**

**Members of our Board of Directors**

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Term Expires</b>
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David Friend	67	Executive Chairman of the Board (Class III)	2017
Mohamad Ali	44	President, Chief Executive Officer and Director (Class I)	2015
Peter Gyenes	69	Director (Class I)	2015
Pravin Vazirani	43	Director (Class I)	2015
Stephen Munford	49	Director (Class II)	2016
Charles Kane	57	Director (Class II)	2016
Todd Krasnow	57	Director (Class III)	2017
Jeffry Flowers	61	Director (Class III)	2017

**Information about our Board and Committees**

	<b>Number of Members</b>	<b>Independence</b>	<b>Number of Meetings During Fiscal Year 2014</b>
<b>Full Board</b>	8	62.5%	14
<b>Audit Committee</b>	3	100%	7
<b>Compensation Committee</b>	3	100%	5
<b>Nominating and Corporate Governance Committee</b>	3	100%	1

**Governance Highlights**

- ü **Standing Board Committees Comprised Solely of Independent Directors**
- ü **Lead Independent Director**
- ü **Majority Independent Board**
- ü **Committee Authority to Retain Independent Advisors**
- ü **Robust Code of Business Conduct and Ethics; Policies on Insider Trading and Related Person Transactions**

**Executive Compensation Highlights****Our Philosophy**

Our compensation philosophy is to tie a significant percentage of an executive officer's compensation to stockholder returns. We believe that because the achievement of our business and financial objectives will be reflected in the value of our equity, our executive officers will be incentivized to achieve these objectives when a significant portion of their compensation is tied to the value of our equity. To this end, we use stock options and restricted stock units ( RSUs ) as components of our named executive officer compensation program because we believe that equity compensation best ties individual compensation to the creation of stockholder value over time. We believe that equity compensation is a significant motivator in attracting employees to internet-related and other technology companies.

**Core Components of Executive Compensation**

- ü **Base Salary** Fixed cash payment giving consideration to the compensation paid to similarly situated executives at peer companies and an assessment of each executive officer's responsibilities, performance and contributions, among other factors.

- ü

**Incentive Cash Bonus** Variable cash payment giving consideration to the base compensation paid to similarly situated executives at peer companies and an assessment of each executive officer's responsibilities, performance and contributions, among other factors.

- ii **Equity Incentives** Stock options and RSUs giving consideration to certain internal factors, such as the relative job scope, the value of prior and outstanding equity awards, individual performance and contributions, and external factors.

## Key Features of our Executive Compensation Program

### What We Do:

- ü **Linkage Between Performance Measures and Strategic and Operational Objectives** Our executive compensation program is designed to align compensation incentives with our corporate strategic, business, and financial objectives and the long-term interests of our stockholders.
- ü **Emphasis on Future Pay Opportunity vs. Current Pay Opportunity** For 2014, all of our long-term incentive awards were delivered 100% in the form of equity.
- ü **Performance-Based Options** For 2014, our new Chief Executive Officer received option awards that vest based on our stock price performance.
- ü **Market Comparison of Executive Compensation Against a Relevant Peer Group**
- ü **Double Trigger Cash Severance in the Event of a Change in Control** In the event of a change in control, cash severance benefits are payable only upon a double trigger.
- ü **Independent Compensation Consultant** - The Compensation Committee retains its own compensation consultant to review the Company's executive compensation program and practices.
- ü **Maximum Payout Caps for Annual Cash Incentive Compensation**

### What We Don't Do:

- ý **No Change in Control or Perquisite Tax Gross-Ups**
- ý **No Executive Perquisites**
- ý **No Excessive Severance Benefits**
- ý **No Service-Based Defined Benefit Pension Plan or Other Similar Benefits**
- ý **No Repricing of Underwater Stock Options**

**Summary Compensation**

The table below includes some, but not all, of the information included in the Summary Compensation Table.

Name and Principal Position	Salary (\$)	Bonus (\$ (1))	Stock Awards (\$ (2))	Non-Equity		All other Compensation (\$)	Total (\$)
				Option Awards (\$ (2))	Incentive Plan Compensation (\$ (3))		
Mohamad Ali, <i>President and Chief Executive Officer</i>	28,409	500,000	6,498,000	1,853,125			8,879,534
David Friend, <i>Executive Chairman (4)</i>	340,000		508,000	523,210	102,000	7,933	1,481,143
Anthony Folger, <i>Chief Financial Officer</i>	296,667	25,000	254,250	261,865	47,467	5,867	891,115
Peter Lamson, <i>Senior Vice President of Global Sales</i>	281,917		127,125	130,933	50,745	10,332	601,052
Brad Meiseles, <i>Senior Vice President of Engineering</i>	263,333		433,497		48,565	9,349	754,744
Danielle Sheer, <i>General Counsel, Vice President and Secretary</i>	256,250	28,000	294,200	104,746	35,875	9,941	729,012
Swami Kumaresan, <i>Executive Vice President of Product and Engineering (2013-2014) (5)</i>	154,917		127,125	130,933		137,865	550,839

(1) The amount reported for Mr. Ali represents a cash sign-on bonus of \$500,000. Mr. Ali is obligated to repay a prorated portion of this sign-on bonus if he voluntarily terminates his employment within one-year of his hire date.

- (2) The amounts reported in these columns represent the aggregate grant date fair value of RSU and option awards, calculated in accordance with FASB ASC Topic 718, except that no forfeiture assumptions were included. Under FASB ASC Topic 718, the vesting condition related to Mr. Ali's performance-based option awards is considered a market condition and not a performance condition. Accordingly, there is no grant date fair value below or in excess of the amount reflected in the table above for Mr. Ali that could be calculated and disclosed based on achievement of the underlying market condition. For a discussion of the assumptions made in the valuations reflected in this column, see Note 9 of the Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2014. Note that amounts reported in this column reflect the accounting cost for these stock option awards, and do not correspond to the actual economic value that may be received by the recipients of these stock option awards.
- (3) The amounts reported in this column represent incentive cash bonuses paid by the Company.
- (4) Mr. Friend was appointed Executive Chairman of the Board of Directors, effective January 8, 2015.
- (5) Mr. Kumaresan's employment with us terminated effective July 31, 2014.

## Recent Compensation Actions

As part of its annual 2014 compensation review process, the Compensation Committee of the Board, approved the following compensation decisions with respect to the 2014 named executive officers:

**2014 Base Salary Adjustments.** Four of our named executive officers received base salary increases ranging from 3% to 7.7%.

**2014 Cash Bonus.** Under the 2014 cash bonus plan, bonuses were determined based on the Company's performance with respect to new small business bookings and free cash flow, weighted 60% and 40%, respectively. Based on the Company's performance, the Compensation Committee certified a bonus payout of 40% of target for the participating named executive officers.

**2014 Equity Incentives.** The 2014 equity program consisted of stock options and RSUs. The Compensation Committee approved the use of RSUs in the Company's executive compensation program to encourage retention and reward performance over the vesting period.

On December 3, 2014, the Company appointed Mohamad Ali as President and Chief Executive Officer and as a member of our Board. Effective upon such appointment, David Friend became Executive Chairman of the Board of Directors. In connection with Mr. Ali's appointment to the position of President and Chief Executive Officer, the Company entered into an executive employment agreement, which included, among other benefits: (i) an annual base salary of \$375,000, (ii) a sign-on bonus of \$500,000 to offset the compensation Mr. Ali forfeited by leaving his prior employer, which is subject to a prorated repayment by Mr. Ali in the event that prior to the one year anniversary of Mr. Ali's employment with the Company he voluntarily terminates his employment other than for Good Reason, Disability, or death or the Company terminates his employment for Cause (each as defined in Mr. Ali's Employment Agreement), (iii) an option to purchase 250,000 shares of Common Stock, with the vesting of such option determined based on the Company's stock price performance and (iv) 450,000 restricted stock units (RSUs), with 50,000 of such RSUs to vest on December 31, 2015 and 400,000 of such RSUs to vest 25% on the one year anniversary of Mr. Ali's employment with the Company and the remainder in equal quarterly installments over the following 36 months, subject to Mr. Ali's continued employment with the Company through each applicable vesting date.

On January 8, 2015, the Company entered into an employment agreement with Mr. Friend setting forth the terms of his employment as the Company's Executive Chairman, which included, among other benefits: (i) an annualized base salary of \$340,000 for an interim period beginning December 3, 2014 and ending February 28, 2015, (ii) an annualized base salary of \$125,000 for twelve (12) months following the conclusion of the interim period and (iii) an option to purchase 100,000 shares of Common Stock, with such option vesting and becoming exercisable quarterly over four (4) years for so long as Mr. Friend serves as an employee or director of the Company.

## INFORMATION ABOUT THE ANNUAL MEETING

### AND VOTING

#### **Q. Who can vote at the Annual Meeting?**

**A.** Only stockholders of record at the close of business on the Record Date (April 10, 2015) will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, there were 27,332,782 shares of Common Stock issued and outstanding, and entitled to vote.

#### **Q. What if my shares are registered in my name?**

**A.** If, on the Record Date, your shares were registered directly in your name with Carbonite's transfer agent, American Stock Transfer & Trust Company, LLC, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to fill out and return the enclosed **WHITE** proxy card or vote by proxy over the telephone or on the internet as instructed below to ensure that your vote is counted.

#### **Q. What if my shares are registered in the name of a broker, bank or other agent?**

**A.** If, on the Record Date, your shares were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name, and these proxy materials, including the **WHITE** voting instruction card, are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent as to how to vote the shares of Common Stock in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy card from your broker or other agent.

#### **Q. What am I being asked to vote on?**

**A.** You are being asked to vote **FOR:**

the election of the three Class I directors nominated by our Board, namely Mohamad Ali, Peter Gyenes and Pravin Vazirani, to hold office until the 2018 annual meeting of stockholders or until their successors are elected and qualified;

the ratification of the selection by the Audit Committee of our Board of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2015; and

the approval, on an advisory basis, of the compensation of the Company's named executive officers. In addition, you are entitled to vote on any other matters that are properly brought before the Annual Meeting.



**Q. Has the Company been notified that a stockholder intends to propose alternative director nominees at the Annual Meeting?**

**A.** Yes. The Company received a notice dated February 26, 2015 from Engine Capital stating its intention to propose three alternative director nominees for election at the Annual Meeting. The Engine Capital nominees have NOT been endorsed by our Board. We urge you NOT to use any proxy card that you may receive from Engine Capital. We urge you to use the **WHITE** proxy card and vote FOR ALL of our Board's nominees for director.

**OUR BOARD OF DIRECTORS URGES YOU TO DISREGARD ANY MATERIALS, AND NOT TO SIGN OR RETURN ANY PROXY CARD, SENT TO YOU BY ENGINE CAPITAL.**

We are not responsible for the accuracy of any information provided by or relating to Engine Capital contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Engine Capital or any other statements that Engine Capital may otherwise make.

**Q. How do I vote?**

**A.** You may vote by mail using the **WHITE** proxy card or follow any alternative voting procedure described on the **WHITE** proxy card. To use an alternative voting procedure, follow the instructions on the **WHITE** proxy card.

For the election of directors, you may either vote For a nominee or you may Withhold your vote for a nominee. For the ratification of the selection of the Company's independent auditors and the advisory vote on named executive officer compensation, you may vote For or Against or abstain from voting.

It will NOT help to elect the nominees nominated by our Board if you sign and return proxies sent by Engine Capital, even if you vote AGAINST or WITHHOLD on its directors using the Engine Capital proxy card. In fact, doing so will cancel any previous vote you may have cast in favor of our Board's nominees on the Company's **WHITE** proxy card.

**Q. What are the voting procedures for stockholders of record?**

**A.** If you are a stockholder of record, you may vote in person at the Annual Meeting. Alternatively, you may vote by mail by using the accompanying **WHITE** proxy card or over the internet or by telephone using the instructions on the **WHITE** proxy card. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure that your vote is counted. Even if you have submitted a proxy before the Annual Meeting, you may still attend the Annual Meeting and vote in person. In such case, your previously submitted proxy card will be disregarded.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

To vote by proxy over the internet or by telephone, follow the instructions provided on the **WHITE** proxy card.

To vote by mail by, complete, sign and date the **WHITE** proxy card and return it promptly in the envelope provided. If you return your signed **WHITE** proxy card to us before the Annual Meeting, we will vote your shares as you direct.

**Q. What are the voting procedures if my shares are registered in the name of a broker, bank or other agent?**

**A.** If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a **WHITE** voting instruction card and voting instructions with these proxy materials from that organization rather than from us. To ensure that your vote is counted, follow the directions set forth on the **WHITE** voting instruction card and voting instructions that you receive. To vote in person at the Annual Meeting, you must obtain a valid proxy card from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy card.

**Q. Who counts the votes?**

**A.** MacKenzie Partners, Inc. ( MacKenzie ) has been engaged as our independent agent to provide advisory, consulting and solicitation services, and tabulate stockholder votes. If you are a stockholder of record, your executed proxy card is returned directly to MacKenzie for tabulation. If you hold your shares through a broker, your broker returns one proxy card to MacKenzie on behalf of all its clients.

**Q. How are votes counted?**

**A.** Each share of Common Stock outstanding on the Record Date is entitled to one vote on each matter.

With respect to Proposal One, the election of the directors, the three nominees receiving the highest number of votes will be elected.

With respect to Proposal Two and Proposal Three, the affirmative vote of the holders of a majority in voting power of the shares of Common Stock that are present in person or by proxy and entitled to vote on each proposal is required for approval.

If your shares are held by a broker, bank, or other agent (that is, in street name ) and you do not instruct the broker, bank, or other agent as to how to vote these shares on Proposals One or Three, the broker, bank, or other agent may not exercise discretion to vote for or against those proposals. This would be a broker non-vote and these shares will not be counted as having been voted on the applicable proposal. However, broker non-votes will be considered present at the Annual Meeting and will be counted towards determining whether or not a quorum is present. With respect to Proposal Two, the broker, bank, or other agent may exercise its discretion to vote for or against that proposal in the absence of your instruction, except that, if any other person sends you proxy materials to solicit your proxy, your broker will not have discretionary authority to vote your shares with respect to Proposal Two. **Please instruct your broker, bank, or other agent so that your vote can be counted.**

If stockholders abstain from voting, including brokers, banks, or other agents holding their clients' shares of record who cause abstentions to be recorded, these shares will be considered present and entitled to vote at the Annual Meeting and will be counted towards determining whether or not a quorum is present. Abstentions will have no effect with regard to Proposal One because approval of a percentage of shares present or outstanding is not required for this proposal. With respect to Proposals Two and Three, abstentions will have the same effect as an Against vote.

**Q. How do I vote via internet or telephone?**

**A.** You may vote by proxy via the internet or by telephone by following the instructions provided on the **WHITE** proxy card. Please be aware that if you vote by phone or over the internet, you may incur costs such as telephone and internet access charges for which you will be responsible. The internet and telephone voting facilities for eligible stockholders of record will close at 11:59 p.m. Eastern Time on [ ], 2015. The giving of such a telephonic or internet proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

The telephone and internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly.

**Q. What if I return a WHITE proxy card but do not make specific choices?**

**A.** If we receive a signed and dated **WHITE** proxy card and the **WHITE** proxy card does not specify how your shares are to be voted, your shares will be voted in accordance with the recommendations of our Board, including For the election of each of our Board's three nominees for director, For the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm and For the approval, on an advisory basis, of named executive officer compensation. If any other matter is properly presented at the Annual Meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

**Q. Who is paying for this proxy solicitation?**

**A.** This proxy solicitation is being made on behalf of our Board. We will pay for the entire cost of soliciting proxies. Directors, officers and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. The Company has engaged MacKenzie to provide advisory, consulting and solicitation services. If Engine Capital proceeds with a potential proxy contest, we may incur substantial additional costs in connection with our solicitation of proxies. The Company has agreed to pay MacKenzie customary compensation for its services, including an initial retainer of \$40,000 plus reimbursement for reasonable out-of-pocket expenses incurred during the solicitation, of which \$40,000.00 has been paid to date. MacKenzie has advised us that its initial fees could be up to \$150,000 in connection with a proxy contest. The Company has also arranged to indemnify MacKenzie against certain liabilities arising from or in connection with the engagement. In addition to mailed proxy materials and proxy materials available over the internet, MacKenzie and our directors, officers and employees may also solicit proxies in person, by telephone or by other means of communication. MacKenzie has advised us that approximately [ ] of its employees will be involved in the proxy solicitation on our behalf. If Engine Capital proceeds with a potential proxy contest, the Company estimates that the total amount to be spent in connection with the solicitation would be \$150,000. The total expenditures to date in connection with the solicitation have been \$40,000.

**Q. What does it mean if I receive more than one set of proxy materials?**

**A.** If you receive more than one set of proxy materials, your shares are registered in more than one name or are registered in different accounts. In order to vote all of the shares that you own, you must either sign and return all of the **WHITE** proxy cards or follow the instructions for any alternative voting procedure on each of the **WHITE** proxy cards that you receive.

Additionally, you may receive proxy solicitation materials from, or on behalf of, Engine Capital, including opposition proxy statements and proxy cards. **The Board unanimously recommends that you disregard any proxy card you receive from Engine Capital or anyone soliciting proxies on behalf of any of the nominees of Engine Capital.**

If you have already voted using an Engine Capital proxy card, you have every right to change your vote by executing the enclosed **WHITE** proxy card or by voting by telephone or via the Internet by following the instructions provided on the **WHITE** proxy card. Only the latest dated proxy you submit will be counted. If you vote against any Engine Capital nominee using Engine Capital's proxy card, your vote will not be counted as a vote for our Board's nominees and will result in the revocation of any previous vote you may have cast on the Company's **WHITE** proxy card. **IF**

**YOU WISH TO VOTE PURSUANT TO THE RECOMMENDATION OF THE BOARD, YOU SHOULD DISREGARD ANY PROXY CARD THAT YOU RECEIVE OTHER THAN THE WHITE PROXY CARD.**

**If you have any questions or need assistance voting, please call MacKenzie Partners, Inc., our proxy solicitor assisting us in connection with the Annual Meeting, toll-free at (800) 322-2885 or collect at (212) 929-5500.**

**Q. Can I change my vote after submitting my proxy?**

**A. Yes.** You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

You may send a written notice that you are revoking your proxy to Carbonite's Secretary at Two Avenue de Lafayette, Boston, Massachusetts 02111.

You may attend the Annual Meeting and vote in person. Simply attending the Annual Meeting will not, by itself, revoke your proxy.

If your shares are held by your broker, bank, or other agent, you should follow the instructions provided by such broker, bank, or other agent.

If you have previously signed any proxy card sent to you by Engine Capital, you may change your vote by signing, dating and returning the enclosed **WHITE** proxy card in the accompanying postage-paid envelope or by voting by telephone or via the Internet by following the instructions on your **WHITE** proxy card. Please note that submitting a proxy card sent to you by Engine Capital - even if you vote in protest against Engine Capital nominees - will revoke any votes you previously made via the Company's **WHITE** proxy card.

**Q. When are stockholder proposals due for next year's Annual Meeting?**

**A.** If you are interested in submitting a proposal for inclusion in the proxy statement for our 2016 annual meeting, you must follow the procedures outlined in Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act). To be eligible for inclusion in the proxy statement, we must receive your stockholder proposal at the address noted below no later than [ ], 2016.

If you wish to present a proposal or nominate any candidates for election at our 2016 annual meeting, you must give written notice to Carbonite's Secretary at the address noted below by [ ], 2016, but no sooner than [ ], 2016. However, if the 2016 annual meeting is held before [ ], 2016 or after [ ], 2016, then we must receive the required notice of a proposal or proposed director candidate no earlier than the 120<sup>th</sup> day prior to the 2016 annual meeting and no later than the close of business on the later of (1) the 70<sup>th</sup> day prior to the 2016 annual meeting and (2) the 10<sup>th</sup> day following the date on which public disclosure of the date of the 2016 annual meeting was made. You are also advised to review our By-Laws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

Any proposals, notices, or information about proposed director candidates should be sent to Carbonite's Secretary at Two Avenue de Lafayette, Boston, Massachusetts 02111.

**Q. What is the quorum requirement?**

**A.** A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if the holders of a majority in voting power of the shares of Common Stock issued and outstanding and entitled to vote are present in person or represented by proxy at the Annual Meeting. On the Record Date, there were 27,332,782 shares of Common Stock outstanding and entitled to vote. Accordingly, 13,666,391 shares of Common Stock must be represented by stockholders present at the Annual Meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum if you submit a valid proxy vote or vote at the Annual Meeting. Abstentions and broker non-votes will also be counted towards the quorum requirement. If there is no quorum, either the chairperson of the Annual Meeting or a majority in voting power of the stockholders entitled to vote at the Annual Meeting present in person or represented by proxy, may adjourn the Annual Meeting to another time or place.

**Q. How can I find out the results of the voting at the Annual Meeting?**

**A.** Voting results will be announced by the filing of a Current Report on Form 8-K within four business days after the Annual Meeting. If final voting results are unavailable at that time, we will file an amended Current Report on Form 8-K within four business days of the day on which the final results are available.

**Q. Whom should I call if I have questions about the Annual Meeting or voting?**

**A.** Please call MacKenzie Partners, Inc., the firm assisting us in the solicitation of proxies, at:

105 Madison Avenue

New York, New York, 10016

[proxy@mackenziepartners.com](mailto:proxy@mackenziepartners.com)

Call Collect: (212) 929-5500

or

Toll-Free: (800) 322-2885

## Recent Developments

On December 2, 2014, j2 Global, Inc. ( j2 ) sent the Company a letter containing j2 s non-binding proposal (the 2014 j2 Proposal ) to purchase all of the outstanding shares of Common Stock for \$15.00 per share in cash.

On December 4, 2014, Engine Capital sent a publicly disclosed letter to our Board discussing the 2014 j2 Proposal and urging our Board to initiate a process to sell the Company.

On December 5, 2014, Arnaud Ajdler, a managing partner of Engine Capital, sent a letter further advocating the pursuit of a sale of the Company and asking for a Board seat in exchange for signing a standstill pursuant to which Engine Capital would agree not to wage a proxy fight.

On December 19, 2014, Mohamad Ali, the Company s President and Chief Executive Officer and a member of our Board, and Charles Kane, another member of our Board, participated in a telephone call with Mr. Ajdler. During that call, Mr. Ali noted that our Board had considered Mr. Ajdler s request and determined that it was not in the best interests of the Company or its stockholders to add Mr. Ajdler to our Board at that time.

On December 23, 2014, Engine Capital publicly released a letter discussing the December 19, 2014 conversation. In the December 23, 2014 letter, Engine Capital expressed its belief that j2 could pay more than \$18.00 per share for the Company and stated, The way to create leverage is not by tactically rejecting the 2014 j2 Proposal, but instead by publicly announcing the initiation of a sale process and engaging with potential bidders.

On December 24, 2014, j2 and Copper Holdings, Inc., a wholly-owned subsidiary of j2 ( Copper ), commenced a tender offer (the j2 Offer ) for all of the outstanding shares of Common Stock at the same \$15.00 price per share as the 2014 j2 Proposal.

On January 8, 2015, our Board held a special in-person meeting at which it unanimously determined to authorize the exploration of strategic alternatives, including a potential sale of the Company and/or potential material acquisitions, in order to maximize stockholder value. At the meeting, our Board also determined that the j2 Offer substantially undervalued the Company, was opportunistic and was not in the best interests of the Company s stockholders. Following the filing of its Schedule 14D-9 with the SEC on January 9, 2015, the Company announced its exploration of strategic alternatives. Shortly thereafter, the Company, with the assistance of its financial advisor, Deutsche Bank Securities Inc. ( Deutsche Bank ), began a formal process in connection with the potential sale of the Company (the Sale Process ).

On February 26, 2015, the Company received a notice from Engine Capital stating Engine Capital s intentions to propose three director nominees, including Mr. Ajdler, for election at the Annual Meeting.

On February 27, 2015, j2 and the Company entered into a confidentiality agreement. Pursuant to such confidentiality agreement, j2 withdrew the j2 Offer on March 2, 2015. The terms of such confidentiality agreement permitted j2 the option to nominate for election at the Annual Meeting individuals who were j2 s existing independent directors.

On March 3, 2015, the Company received a notice from Copper stating Copper s intention to propose three director nominees for election at the Annual Meeting.

March 30, 2015 was the deadline for bids to be submitted in connection with the Sale Process.



On April 2, 2015, j2 filed an amendment to its Schedule 13D stating that it had communicated to Deutsche Bank that while j2 was prepared to enter into discussions with respect to an acquisition of the Company's endpoint business, j2 did not believe that the Company's additional businesses were consistent with j2's strategic plan. Accordingly, j2 neither made an offer to acquire the entire Company, nor made an offer to acquire a line of business. The amendment to j2's Schedule 13D also reported the intention to withdraw Copper's nominees with respect to the election of directors at the Annual Meeting.

On April 16, 2015, the Company announced that our Board had concluded its strategic alternatives exploration process. In the announcement, the Company stated that, as part of this process, the Company had engaged with a significant number of potential strategic and financial acquirers, resulting in several companies signing confidentiality agreements and engaging in due diligence over the preceding three months. The announcement expressed our Board's belief that, after extensive discussions with interested parties, the interests expressed were unlikely to lead to an acquisition of the entire Company and did not present an attractive alternative to the Company's stand-alone plan.

On April 17, 2015, Copper notified the Company of the withdrawal of Copper's nominees with respect to the election of directors at the Annual Meeting.

On April 30, 2015, the Company announced that our Board had appointed Peter Gyenes as a Class I director and that Tim Clifford, a Class I director of the Company since November 2013, had resigned and determined not to stand for reelection at the Annual Meeting.

**Board of Directors, Corporate Governance & Related Matters****Our Board of Directors**

The principal responsibility of our Board is to oversee the risk management of the Company and, in so doing, serve the best interests of the Company and its stockholders. The Company's Amended and Restated Certificate of Incorporation provides that our Board shall be divided into three classes, with the directors in each class serving a three-year term. There are currently eight directors on the Board. The following table sets forth, for the Class I nominees and our other current directors, information with respect to their ages, positions/offices held with the Company, and term of office.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Term Expires</b>
Mohamad Ali	44	Director (Class I)	2015
Peter Gyenes (2)	69	Director (Class I)	2015
Pravin Vazirani (2)(3)	43	Director (Class I)	2015
Charles Kane (1)(3)	57	Director (Class II)	2016
Stephen Munford (1)(3)	49	Director (Class II)	2016
Jeffrey Flowers	61	Director (Class III)	2017
David Friend	67	Executive Chairman of the Board (Class III)	2017
Todd Krasnow (1)(2)(4)	57	Director (Class III)	2017

(1) Member of Audit Committee of our Board.

(2) Member of Compensation Committee of our Board.

(3) Member of Nominating and Corporate Governance Committee of our Board.

(4) Lead Independent Director

Set forth below is biographical information for each of the nominees and each person whose term of office as a director will continue after the Annual Meeting. The following includes certain information regarding our directors individual experience, qualifications, attributes and skills that led our Board to conclude that they should serve as directors.

## Director Biographies and Qualifications

### *Class I (Term Expiring 2015)*

**Mohamad Ali** was appointed as President and Chief Executive Officer, effective as of December 3, 2014, and as a Class I director of the Company, effective as of January 8, 2015. He served as chief strategy officer of Hewlett-Packard, an information technology company, from August 2012 to December 2014. From April 2012 to August 2012, Mr. Ali served as chief executive officer of the Workforce Optimization division of Aspect Software, a provider of business communications solutions and services. From April 2011 to April 2012, Mr. Ali served as senior vice president and president of the global services business of Avaya Corporation, a provider of business collaboration and communications solutions, and from July 2009 to March 2011 he served as Avaya's senior vice president of corporate development and strategy. From January 1996 to July 2009, Mr. Ali served in various roles at IBM, including vice president of business and strategy for the information management division from 2005 to 2009. Mr. Ali holds a B.S. in Computer Engineering, a B.A. in History and a Master of Science in Electrical Engineering from Stanford University. We believe that Mr. Ali is qualified to serve on our Board due to his extensive experience as an executive in the software and technology industries. Additionally, Mr. Ali is able to provide additional insights into the operations and strategic plan of the Company as the President and Chief Executive Officer of the Company.

**Peter Gyenes** was appointed to our Board as a Class I director, effective as of April 29, 2015. Mr. Gyenes has served as the non-executive Chairman of the board of directors of Sophos plc, a global security software company, since March 2006, and lead independent director since September 2012. Mr. Gyenes served as Chairman and Chief Executive Officer of Ascential Software Corporation (NASDAQ: ASCL), a market leader in data integration software, and its predecessor companies VMark Software, Ardent Software and Informix from 1996 until it was acquired by International Business Machines Corporation in 2005. Mr. Gyenes served on the board of directors of Netezza Corporation (NYSE: NZ) from 2008 until it was acquired by International Business Machines Corporation in 2010. Mr. Gyenes also served on the board of Lawson Software, Inc. (NASDAQ: LWSN) from 2006 until it was acquired by Infor in July 2011. He currently serves on the boards of directors of EnerNoc (NASDAQ: ENOC), IntraLinks Holdings, Inc. (NYSE: IL), Pegasystems Inc. (NASDAQ: PEGA), Cimpress NV (NASDAQ: CMPR), and Epicor Software Corporation, a provider of software solution to the manufacturing, distribution, retail and services industries, and serves as trustee emeritus of the Massachusetts Technology Leadership Council. Mr. Gyenes received his B.A. in mathematics and his M.B.A. in marketing from Columbia University. Mr. Gyenes was brought to the attention of the Nominating and Corporate Governance Committee at the recommendation of Messrs. Munford and Kane. We believe Mr. Gyenes' qualifications to serve on our Board include his experience as the Chief Executive Officer of a publicly traded company, his knowledge gained from service on the boards of various public and private companies and his more than 40 years of experience in technology, sales, marketing and general management positions within the computer systems and software industry.

**Pravin Vazirani** has served on our Board since April 2007. Since August 2005, Mr. Vazirani has been a managing director of Menlo Ventures, a venture capital firm focused on technology investments. Affiliates of Menlo Ventures beneficially own more than 5% of our Common Stock. Previously, Mr. Vazirani served as an engineer for Pacific Communication Sciences, Inc., as a product manager for ADC Telecommunications and as an engineer for Jet Propulsion Laboratory. Mr. Vazirani is also a member of the board of directors of FiveStars, Stance, vArmour, Glympse, Inc., Lumosity, Inc., Nexenta Systems, Inc. and Poshmark, Inc. Mr. Vazirani holds an M.B.A. from the Harvard University Graduate School of Business and a B.S. and a M.S. in Electrical Engineering from the Massachusetts Institute of Technology. We believe that Mr. Vazirani is qualified to serve on our Board due to his experience with the venture capital industry and a wide variety of internet and technology companies, as well as the perspective he brings as an affiliate of one of our major stockholders.

***Class II (Term Expiring 2016)***

***Charles Kane*** has served on our Board since July 2011. Since November 2006, Mr. Kane has served as a director of One Laptop Per Child, a non-profit organization that provides computing and internet access for students in the developing world, for which he also served as president and chief operating officer from March 2008 to July 2009. From July 2007 to March 2008, Mr. Kane served as executive vice president and chief administrative officer of Global BPO Services Corp., a special purpose acquisition corporation, and from August 2007 to March 2008, as chief financial officer of Global BPO. From May 2006 to October 2006, he served as chief financial officer of RSA Security Inc., a provider of e-security solutions. From July 2003 to May 2006, Mr. Kane served as chief financial officer of Aspen Technology, Inc., a provider of supply chain management software and professional services. Earlier in his career, Mr. Kane served as president and chief executive officer of Corechange, Inc., an enterprise software company, and as chief financial officer of Informix Software, Inc., a provider of database management systems. Mr. Kane also held financial positions with Stratus Computer, Inc., Prime Computer Inc. and Deloitte & Touche LLP. Since November 2006, Mr. Kane has served as a member of the board of directors and as chairman of the audit committee of Progress Software Corp., a publicly-traded provider of infrastructure software. Since May 2010, he has served as a member of the board of directors and as chairman of the audit committee of Demandware, Inc., a provider of e-commerce solutions, and since November 2011 he has served as a member of the board of directors and as chairman of the audit committee of RealPages, Inc., a publicly-traded provider of software solutions for the rental housing

industry. Since April 2012, Mr. Kane has served as an advisor to Panopticon Software AB, a provider of data visualization software, and since October 2012 Mr. Kane has served as a member of the board of directors and as chairman of the audit committee of PhotoBox LTD, an online digital photo service provider. Previously he has also served as a member of the board of directors of Borland Software Corp., a publicly-traded provider of open application lifecycle management solutions; Netezza Corporation, a publicly-traded data warehouse appliance provider, from May 2005 to November 2010; and of Applix Inc., a publicly-traded provider of enterprise planning software, from January 2002 to March 2007. Mr. Kane holds a B.B.A. in Accounting from the University of Notre Dame, an M.B.A. in International Finance from Babson College, and is senior lecturer of International Finance at the Massachusetts Institute of Technology Sloan School of Management. We believe that Mr. Kane is qualified to serve on our Board due to his significant experience both in senior financial roles and as a director of other publicly-traded companies.

**Stephen Munford** has served on our Board since January 2014. From May 2005 to September 2012, Mr. Munford served as chief executive officer of Sophos Ltd., a developer and vendor of security software and, since September 2012, Mr. Munford has served as the chairman of Sophos board of directors. Mr. Munford also serves as chairman of the board of directors of Elastic Path Software Inc., a developer and vendor of e-commerce software; Quick Mobile, a provider of mobile solutions for events; and Core Security Inc., a provider of cyber security solutions. Mr. Munford holds a B.A. in Economics from the University of Western Ontario and an M.B.A. from Queen's University. We believe that Mr. Munford is qualified to serve on our Board due to his significant operating and management experience and his specific experience in the e-commerce and data security fields.

### ***Class III (Term Expiring 2017)***

**Jeffry Flowers** has served as a member of our Board since he co-founded our Company with Mr. Friend in February 2005. Since May 2012, Mr. Flowers has served as the chief executive officer of Storiant, Inc., a provider of enterprise storage products. Previously, Mr. Flowers served as our technical advisor from April 2012 to August 2012, as our chief architect from April 2011 to April 2012 and as our chief technology officer from February 2005 to March 2011. Previously, Mr. Flowers co-founded with Mr. Friend, and served as chief technical officer of, Sonexis, Inc., a software company providing audio-conferencing services, from March 1999 through March 2002 and served as a director of Sonexis from March 1999 through August 2004. Prior to that time, Mr. Flowers co-founded with Mr. Friend, and served as chief technology officer and as a director of, FaxNet Corporation, a supplier of messaging services to the telecommunications industry. He also co-founded Pilot Software, Inc., a software company, with Mr. Friend in 1983. Mr. Flowers served as VP of Development at ON Technology Corporation, a publicly-traded software vendor, from June 1994 through February 1996. Mr. Flowers holds an M.S. and a B.S. in Information and Computer Science from Georgia Institute of Technology. We believe that Mr. Flowers is qualified to serve on our Board based on his historic knowledge of our Company as one of its founders, the continuity he provides to the Board, his strategic vision for our technology and his background in internet and software companies.

**David Friend** served as our Chief Executive Officer and as a member of our Board since he co-founded our Company with Mr. Flowers in February 2005. Mr. Friend also served as our President from February 2005 to September 2007 and again from August 2010 to December 2014. Effective as of December 3, 2014, Mr. Friend resigned as President and Chief Executive Officer of the Company and became Executive Chairman of the Board. From March 1999 through March 2002, Mr. Friend co-founded with Mr. Flowers and served as chief executive officer and president of Sonexis, Inc., a software company providing audio-conferencing services and served as a director of Sonexis from March 1999 through August 2004. From June 1995 through December 1999, Mr. Friend co-founded with Mr. Flowers and served as chief executive officer and as a director of FaxNet Corporation, a supplier of messaging services to the telecommunications industry. Prior to that time, Mr. Friend co-founded Pilot Software, Inc., a software company, with

Mr. Flowers in 1983. Previously, Mr. Friend founded Computer Pictures Corporation, a software company whose products applied computer graphics to business data, and served as president of ARP Instruments, Inc., an audio hardware manufacturer. Mr. Friend served as a director of GEAC Computer Corporation Ltd., a publicly-traded enterprise software company, from October 2001 to October 2006, and currently serves as a director of CyraCom International, Inc., DealDash Oyj, Netblazr, Inc. and Storian, Inc. Mr. Friend holds a B.S. in Engineering from Yale University. We believe that Mr. Friend is qualified to serve on our Board based on his historic knowledge of our Company as one of its founders, the continuity he provides to the Board, his strategic vision for our Company and his background in internet and software companies.

**Todd Krasnow** has served on our Board since September 2005 and as our lead independent director since April 2011. Mr. Krasnow has served as the president of Cobbs Capital, Inc., a private consulting company, since January 2005, and as marketing domain expert with Highland Consumer Fund, a venture capital firm, since June 2007. Previously, Mr. Krasnow was the chairman of Zoots, Inc., a dry cleaning company from June 2003 to January 2008 and chief executive officer of Zoots, Inc. from February 1998 to June 2003. He served as the executive vice president of sales and marketing of Staples, Inc. from May 1993 to January 1998 and in other sales and marketing positions for Staples, Inc. from March 1986 to May 1993. Mr. Krasnow is a director of Tile Shop Holdings, Inc., a publicly-traded retailer of tile and stone, and is chairman of the Tile Shop Holdings compensation and nominating and corporate governance committees. Mr. Krasnow is also a member of the advisory boards of C&S Wholesale Grocers, Inc. and Kids II, Inc., a manufacturer of children's products. Mr. Krasnow holds an M.B.A. from the Harvard University Graduate School of Business and an A.B. in Chemistry from Cornell University. We believe that Mr. Krasnow is qualified to serve on our Board due to his operating and management experience, his expertise in sales and marketing and the continuity he provides to the Board.

## **Board Leadership Structure**

### ***Executive Chairman***

Mr. Friend served as the Chairman of our Board and Chief Executive Officer from 2005 to December 2014. Effective as of December 3, 2014, Mr. Friend resigned as President and Chief Executive Officer of the Company and became Executive Chairman of the Board. He will continue to advise the Company on key strategic initiatives. As former Chief Executive Officer and one of our founders, Mr. Friend is intimately familiar with our business, growth strategy, and the key issues that we face and is therefore uniquely positioned to focus our Board. In connection with Mr. Friend's resignation as our Chief Executive Officer, we separated the positions of chairman and chief executive officer, as we believe it is important for Mr. Friend to continue leading our Board in light of his understanding of our business and strategic vision for our Company.

### ***Lead Independent Director***

Our governance structure provides that one of our independent directors should serve as a lead independent director at any time when the chief executive officer serves as the chairman of the Board, or if the chairman of our Board is not otherwise independent. Given that Mr. Friend and Mr. Ali are both non-independent directors, our Board has appointed Mr. Krasnow as lead independent director. The lead independent director presides over periodic meetings of our independent directors, serves as a liaison between our chairman and the independent directors and performs such additional duties as our Board may otherwise determine and delegate.

## **Independence of Our Board of Directors**

As required under the rules and regulations of The Nasdaq Stock Market, or Nasdaq, independent directors must comprise a majority of a listed company's board of directors. Our Board, in consultation with our counsel, has undertaken a review of its composition, the composition of its committees, and the independence of each director. Based upon information requested from and provided by each director concerning his background, employment, and affiliations, including family relationships, our Board has determined that Messrs. Clifford (who recently resigned from the Board but served as a member during the Company's last fiscal year), Gyenes, Kane, Krasnow, Munford, and Vazirani, representing five of our eight current directors and six of the nine directors serving on the Board since the beginning of the last fiscal year, do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is independent as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of Nasdaq. There are no family relationships among any of our directors, director nominees, or named executive officers. In making this determination, our Board considered the current and prior relationships that each non-employee director has with us and all other facts and circumstances that our Board deemed relevant in determining each non-employee director's independence, including the beneficial ownership of our capital stock by each non-employee director. Because it is not possible to anticipate or explicitly provide for all circumstances that might signal potential conflicts of interest or bear on the materiality of a director's relationship with the Company, our Board, when making its independence determinations, prefers to broadly consider all relevant facts and circumstances, including, without limitation, applicable independence standards promulgated by Nasdaq.

## **Code of Business Conduct & Ethics**

We have adopted a Code of Business Conduct and Ethics (the Code) that is applicable to all of our directors, officers and employees. The Code includes standards and procedures for reporting and addressing potential conflicts of



interest, the accuracy of the Company's financial records, corporate opportunities and insider information, as well as a general code of conduct that provides guidelines regarding how to conduct business in an ethical manner. A copy of the Code is available on our website on the investor relations page at <http://investor.carbonite.com/governance.cfm>. Any waivers of the Code for directors or executive officers, or any amendments to the Code, shall be posted on the Company's website within four business days of such amendments or waivers, as the case may be and, to the extent required by the listing standards of Nasdaq, by filing a Current Report on Form 8-K with the SEC, disclosing such information.

## **Board Responsibility; Risk Oversight**

Our Board is responsible for, among other things:

oversight of our business;

review and approval of our significant financial objectives, plans, and actions; and

review of the performance of our chief executive officer, executive chairman and other executive officers based on reports from our Board's compensation committee (the Compensation Committee).

The Board conducts an annual self-evaluation, a review of the committee structure, and an assessment of its compliance with our governance principles. In fulfilling our Board's responsibilities, directors have full access to our management and independent advisors.

While the Audit Committee is primarily responsible for overseeing our risk management function, our entire Board is actively involved in risk management oversight. For example, our Board engages in periodic discussions with such company executive officers as our Board deems necessary, including the chief executive officer, executive chairman, chief financial officer and general counsel. In addition, our Compensation Committee reviews compensation policies and practices as they relate to risk management practices and risk-taking incentives. We believe that the leadership structure of our Board supports effective risk management oversight.

## **Risk Assessment and Compensation Practices**

Our Compensation Committee has reviewed our compensation policies and practices for our employees as they relate to our risk management and, based upon this review, we believe that any risks arising from such policies and practices are not reasonably likely to have a material adverse effect on us in the future.

Specifically, we believe that the elements of our compensation programs do not encourage unnecessary or excessive risk-taking. Base salaries are fixed in amount. A significant portion of the compensation provided to our executive officers, and a material amount of the compensation provided to other employees, is in the form of equity awards that help align executive officer and employee interests with those of our stockholders. We do not believe that these awards encourage unnecessary or excessive risk-taking because the ultimate value of the awards is tied to our stock price, and because awards are staggered and subject to long-term vesting schedules that help ensure that executive officers and employees have significant value tied to long-term stock price performance.

## **Board Committees**

Our Board has established the following committees: an audit committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our Board.

	Audit	Compensation	Nominating & Corporate Governance
David Friend (EC)			
Mohamad Ali			
Peter Gyenes		M	
Jeffry Flowers			
Stephen Munford	M		M
Charles Kane	Ch		M
Todd Krasnow (LD)	M	Ch	
Pravin Vazirani		M	Ch

EC = Executive Chairman of the Board LD = Lead Independent Director Ch = Committee Chair M = Committee Member

***Audit Committee***

Our Audit Committee oversees our corporate accounting and financial reporting process, the audit of our financial statements, and our internal control processes. Among other matters, the Audit Committee:

evaluates the independent auditors' qualifications, independence, and performance;

determines the engagement, retention, and compensation of the independent auditors;

reviews and approves the scope of the annual audit and the audit fee;

discusses with management and the independent auditors the results of the annual audit and the review of our quarterly financial statements, including the disclosures in our annual and quarterly reports filed with the SEC;

approves the retention of the independent auditors to perform any proposed permissible non-audit services;

reviews our risk assessment and risk management processes;

establishes procedures for receiving, retaining and investigating complaints received by us regarding accounting, internal accounting controls, or audit matters;

monitors the rotation of partners of the independent auditors on the Carbonite engagement team as required by law;

reviews our critical accounting policies and estimates; and

oversees any internal audit function. Additionally, the Audit Committee reviews and approves related person transactions and reviews and evaluates, on an annual basis, the Audit Committee charter and the committee's performance.

The current members of our Audit Committee are Messrs. Kane, Krasnow and Munford, with Mr. Kane serving as the chair of the committee. All members of our Audit Committee serving since the beginning of the last fiscal year meet the requirements for financial literacy under the applicable rules and regulations of the SEC and Nasdaq. Our Board has determined that Mr. Kane is an audit committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of Nasdaq. Messrs. Kane, Krasnow, and Munford (as well as Mr. Clifford, who served on the committee during the last fiscal year), are independent as defined under the applicable rules and regulations of the SEC and Nasdaq. The Audit Committee operates under a written charter that satisfies the applicable standards of the SEC and Nasdaq, a copy of which is posted on our website at <http://investor.carbonite.com/governance.cfm>.

### ***Compensation Committee***

Our Compensation Committee reviews and recommends policies relating to compensation and benefits of our executive officers and employees. Among other matters, the Compensation Committee:

annually reviews and approves corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives, and sets the compensation of these officers based on such evaluations;

administers the issuance of stock options and other awards under our equity compensation plans; and

reviews and evaluates, on an annual basis, the Compensation Committee charter and the committee's performance.

For a description of the Compensation Committee's processes and procedures, including the roles of our executive officers and independent compensation consultants in the Compensation Committee's decision-making process, see the section entitled "Compensation Discussion and Analysis" below. Pursuant to its charter and to the extent permitted by applicable law and regulation, the Compensation Committee may delegate any of its authority to a subcommittee or single member of the Compensation Committee, except where it would interfere with the compensation safe harbors afforded by Section 162(m) of the Internal Revenue Code or Section 16(b) of the Exchange Act. Further, to the extent permitted by applicable law and the provisions of any equity-based plan, the Compensation Committee may delegate to one or more of the Company's executive officers the power to grant options, stock, or other equity rights to employees of the Company who are not directors or executive officers of the Company.

The current members of our Compensation Committee are Messrs. Krasnow, Gyenes and Vazirani, with Mr. Krasnow serving as the chair of the committee. All of the members of our Compensation Committee serving since the beginning of the last fiscal year are independent under the applicable rules and regulations of the SEC, Nasdaq, and Section 162(m) of the Internal Revenue Code. The Compensation Committee operates under a written charter, a copy of which is posted on our website at <http://investor.carbonite.com/governance.cfm>.

#### ***Nominating and Corporate Governance Committee***

Our Nominating and Corporate Governance Committee is responsible for making recommendations regarding corporate governance; identification, evaluation and nomination of candidates for directorships; and the structure and composition of our Board and committees of our Board. In addition, the Nominating and Corporate Governance Committee:

approves our committee charters;

oversees compliance with our code of business conduct and ethics;

contributes to succession planning;

reviews actual and potential conflicts of interest of our directors and officers other than related person transactions reviewed by the Audit Committee;

oversees our Board self-evaluation process;

is responsible for making recommendations regarding non-employee director compensation to the full Board; and

reviews and evaluates, on an annual basis, the Nominating and Corporate Governance Committee charter and the committee's performance.

The current members of our Nominating and Corporate Governance Committee are Messrs. Kane, Munford and Vazirani, with Mr. Vazirani serving as the chair of the committee. All of the members of our Nominating and Corporate Governance Committee are independent under the applicable rules and regulations of Nasdaq. The Nominating and Corporate Governance Committee operates under a written charter, a copy of which is posted on our website at <http://investor.carbonite.com/governance.cfm>.

### **Criteria and Procedures for Director Nominations**

In selecting director candidates, the Nominating and Corporate Governance Committee and our Board consider whether the candidates possess the required skill sets and fulfill the qualification requirements of directors approved by our Board. In this respect, the Nominating and Corporate Governance Committee and our Board consider, among other qualifications: experience; background; judgment; integrity; understanding of the Company's business environment; personal accomplishment; diversity of viewpoint, experience, education, skill, race, gender and/or national origin; experience in corporate management or as an officer or director of another publicly held company; and willingness to devote adequate time to Board duties. In evaluating candidates for nomination to our Board, the Nominating and Corporate Governance Committee shall take into account Nasdaq listing rules and any other applicable law, regulation or rule. Other than the foregoing, there are no minimum criteria for director nominees, and the Nominating and Corporate Governance Committee may consider such other qualifications as it may deem appropriate. The Board evaluates each individual in the context of our Board as a whole, with the objective of recommending a group that can best achieve the success of the Company's business and represent shareholder interests through the exercise of sound judgment.

Potential director candidates will be discussed by the Nominating and Corporate Governance Committee and proposed for nomination by the entire Board. The Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of our Board willing to continue in service. Current members of our Board with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for nomination, balancing the value of continuity of service with that of obtaining a new perspective. If any member of our Board did not wish to continue in service or if the Nominating and Corporate Governance Committee decided not to nominate a member for reelection, the Nominating and Corporate Governance Committee would identify the desired skills and experience of a new nominee based on the criteria listed above. Executive search firms may be retained to identify individuals that meet the criteria of the Nominating and Corporate Governance

Committee.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. For a stockholder to nominate an individual for election to our Board at an annual meeting, the stockholder must provide notice to the Company, which notice must be delivered to, or mailed and received at, the Company's principal executive offices not less than 90 days and not more than 120 days prior to the one-year anniversary of the preceding year's annual meeting; provided, that if the date of the applicable annual meeting is more than 30 days before or more than 70 days after such anniversary date, the stockholder's notice must be delivered, or mailed and received, not less than 70 days and not more than 120 days prior to the date of such annual meeting or, if later, the 10<sup>th</sup> day following the date on which public disclosure of the date of such annual meeting is made. Further updates and supplements to such notice may be required at the times and in the forms required under our By-Laws. As set forth in our By-Laws, submissions must include the name and address of the proposed nominee and information regarding the proposed nominee that is required to be disclosed in a proxy statement or other filings in a contested election pursuant to Section 14(a) under the Exchange Act. Our By-Laws also specify further requirements as to the form and content of a stockholder's notice. We recommend that any stockholder wishing to make a nomination for a director review a copy of our By-Laws, as amended and restated to date, which are available, without charge, from our Secretary, at Two Avenue de Lafayette, Boston, Massachusetts 02111.

### **Compensation Committee Interlocks and Insider Participation**

Todd Krasnow, Stephen Munford and Pravin Vazirani served as members of our Compensation Committee during our last completed fiscal year. Mr. Gyenes replaced Mr. Munford as a member of our Compensation Committee, effective as of April 29, 2015.

Neither Mr. Krasnow, Mr. Gyenes, Mr. Munford nor Mr. Vazirani (a) are, or have at any time during the past year been, officers or employees of ours, (b) were formerly officers of ours, or (c) have had any relationship requiring disclosure by us under Item 404 of Regulation S-K.

None of our executive officers currently serves, or in the past year has served, as a member of our Board or Compensation Committee (or other Board committee performing equivalent functions) of any entity that has one or more executive officers serving on our Board or Compensation Committee, except that Mr. Friend currently serves, and has served as chairman of the board of directors of Storian, Inc. ( Storian ) since May 2012, an entity of which Mr. Flowers is the founder and chief executive officer. In connection with his service on Storian's board of directors, in May 2012, Mr. Friend purchased 200,000 shares of Storian common stock at de minimis fair market value, which shares are subject to time-based vesting contingent upon Mr. Friend's continued service on Storian's board of directors. In addition, in May 2012, Storian issued a \$100,000 convertible promissory note to Mr. Friend, with simple interest accruing thereon at 2% per annum. In July 2012, pursuant to the terms of this promissory note, the entire principal amount thereof together with de minimis accrued interest thereon converted into 63,694 shares of Storian Series A preferred stock, which were subsequently transferred into a trust for the benefit of members of Mr. Friend's family. In June 2013, this trust purchased 28,513 shares of Storian Series B preferred stock for an aggregate amount of \$121,000.

### **Meetings of the Board of Directors, Board and Committee Member Attendance and Annual Meeting Attendance**

Our Board met fourteen (14) times during the last fiscal year and acted by written consent two (2) times. The Audit Committee met seven (7) times, the Compensation Committee met five (5) times and acted by unanimous written consent three (3) times, and the Nominating and Corporate Governance Committee met one (1) time and acted by unanimous written consent one (1) time during the last fiscal year. During 2014, each Board member attended 75% or more of the aggregate of the meetings of our Board and of the committees on which each served. We encourage all of our directors and nominees for director to attend our annual meetings of stockholders; however, attendance is not mandatory. Two of our directors attended our 2014 annual meeting of stockholders.

### **Stockholder Communications with the Board of Directors**

Stockholders and other interested parties who would like to communicate with an individual director, our Board as a group, or a specified Board committee or group, including the independent directors as a group, may do so by writing to them by mail, c/o Carbonite, Inc., Two Avenue de Lafayette, Boston, Massachusetts 02111 Attention: Secretary. Each communication should specify the applicable addressee or addressees to be contacted as well as the general topic of the communication. The Company will initially receive and process communications before forwarding them to the addressee. Communications also may be referred to other departments within the Company. Any such communication is then distributed to the director or directors named therein unless such communication is considered, either presumptively or in the reasonable judgment of the Company's Secretary, to be improper for submission to the intended recipient or recipients. Examples of communications that would presumptively be deemed improper for submission include, without limitation, solicitations, communications that are primarily commercial in nature,



communications that are related to an improper or irrelevant topic, or communications that request general information about the Company.

**Certain Relationships And Related Transactions**

We describe below transactions (or proposed transactions) and series of similar transactions, during our last fiscal year to which we were a participant or will be a participant in which:

the amounts involved exceeded or will exceed \$120,000; and

any of our directors, executive officers, holders of more than 5% of our Common Stock, or any member of their respective immediate families, had or will have a direct or indirect material interest.

## **Investors' Rights Agreement**

We are party to an investors' rights agreement which provides that certain holders of our Common Stock have the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. We obtained a waiver of the provisions of this investors' rights agreement in connection with the filing of our registration statement on Form S-3 in November 2013.

Other than as described above under this section **Certain Relationships and Related Transactions**, since the beginning of our last fiscal year, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, \$120,000, and in which any related person had or will have a direct or indirect material interest. We believe the terms of the transactions described above were comparable to terms we could have obtained in arm's length dealings with unrelated third parties.

## **Policies and Procedures for Related Person Transactions**

Our Board has adopted a written related person transaction policy that sets forth the policies and procedures for the review and approval or ratification of related person transactions. This policy is administered by our Audit Committee and covers any transaction, arrangement, or relationship, or any series of similar transactions, arrangements, or relationships, in which (i) we were or are to be a participant, (ii) the amount involved exceeds \$50,000 and (iii) a related person had or will have a direct or indirect material interest. While the policy covers related person transactions in which the amount involved exceeds \$50,000, the policy states that related person transactions in which the amount involved exceeds \$120,000 are required to be disclosed in applicable filings as required by the Securities Act of 1933, as amended (the **Securities Act**), Exchange Act, and related rules. Our Board set the \$50,000 threshold for approval of related person transactions in the policy at an amount lower than that which is required to be disclosed under the Securities Act, Exchange Act, and related rules because we believe that a greater level of scrutiny is appropriate for our Audit Committee in reviewing transactions or potential transactions with related persons. Pursuant to this policy, our Audit Committee will (i) review the relevant facts and circumstances of each related person transaction, including if the transaction is on terms comparable to those that could be obtained in arm's-length dealings with an unrelated third party and the extent of the related party's interest in the transaction, and (ii) take into account the conflicts of interest and corporate opportunity provisions of our code of business conduct and ethics. Management will present to our Audit Committee each proposed related person transaction, including all relevant facts and circumstances relating thereto, and will update the Audit Committee as to any material changes to any related person transaction. All related person transactions may only be consummated if our Audit Committee has approved or ratified such transaction in accordance with the guidelines set forth in the policy. Certain types of transactions have been exempted from this policy. These exempted transactions include: (i) certain compensation arrangements; (ii) transactions in the ordinary course of business where the related party's interest arises only (a) from his or her position as a director of another entity that is party to the transaction, (b) from an equity interest of less than 5% in another entity that is party to the transaction, or (c) from a limited partnership interest of less than 5%, subject to certain limitations; and (iii) transactions in the ordinary course of business where the interest of the related party arises solely from the ownership of a class of equity securities in the Company where all holders of such class of equity securities will receive the same benefit on a pro rata basis. No director may participate in the approval of a related person transaction for which he or she is a related party.

## Audit-Related Matters

### Report of the Audit Committee of the Board of Directors

The primary purpose of the Audit Committee is to oversee our financial reporting processes on behalf of our Board. The Audit Committee's functions are more fully described in its charter, which is available on our website at <http://investor.carbonite.com/governance.cfm>. Management has the primary responsibility for our financial statements and reporting processes, including our systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management Carbonite's audited consolidated financial statements as of and for the fiscal year ended December 31, 2014.

The Audit Committee has discussed with Ernst & Young LLP, the Company's independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees issued by the Public Company Accounting Oversight Board (PCAOB). In addition, the Audit Committee discussed with Ernst & Young LLP their independence, and received from Ernst & Young LLP the written disclosures and the letter required by Ethics and Independence Rules 3524, 3525, and 3526 of the PCAOB. The Committee has also considered whether, and to what extent, if any, the fact that Ernst & Young & Young LLP may, from time to time, provide non audit services to the Company, is compatible with maintaining the auditor's independence and has discussed this with Ernst & Young LLP. Finally, the Audit Committee discussed with Ernst & Young LLP, with and without management present, the scope and results of Ernst & Young LLP's audit of such financial statements.

Based on these reviews and discussions, the Audit Committee recommended to our Board that such audited consolidated financial statements be included in our on Form 10-K for the year ended December 31, 2014 for filing with the SEC. The Audit Committee also has engaged Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015 and is seeking ratification of such selection by the stockholders.

#### **Audit Committee**

Charles Kane, *Chair*

Timothy Clifford

Todd Krasnow

At the time this Report of the Audit Committee was approved, Mr. Clifford was a member of the Committee. He has since been replaced on the Audit Committee by Mr. Munford.

### Principal Accountant Fees and Services

The following table provides a summary of fees for professional services rendered by Ernst & Young LLP for the fiscal years ended December 31, 2014 and 2013. All services and fees described below were approved by our Audit Committee.

**Fiscal Year Ended  
December 31,**

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	<b>2014</b>	<b>2013</b>
Audit Fees	\$ 832,034	\$ 494,325
Audit-Related Fees		
Tax Fees		30,000
All Other Fees		
<b>Total Fees</b>	<b>\$ 832,034</b>	<b>\$ 524,325</b>

### **Audit Fees**

Audit fees of Ernst & Young LLP during the 2014 and 2013 fiscal years include the aggregate fees incurred for the audits of our annual consolidated financial statements, the reviews of each of the quarterly consolidated financial statements, and other matters related to our SEC compliance and filings. For the 2014 and 2013 fiscal years, audit fees also include services rendered in connection with our registration statement on Form S-3.

### **Tax Fees**

Tax fees for the 2013 fiscal year include the aggregate fees incurred for tax compliance and consulting.

### **Pre-Approval Policies and Procedures**

The Audit Committee pre-approves all audit and non-audit services provided by our independent registered public accounting firm. The Audit Committee approved all audit and tax services provided by Ernst & Young LLP for fiscal years 2014 and 2013 and the estimated costs of those services. Actual amounts billed, to the extent in excess of the estimated amounts, were periodically reviewed and approved by the Audit Committee.

The Audit Committee also reviewed the tax services rendered by Ernst & Young LLP and concluded that they were compatible with maintaining Ernst & Young LLP's independence.

## PROPOSAL ONE

### ELECTION OF DIRECTORS

The Company's Amended and Restated Certificate of Incorporation provides that our Board shall be divided into three classes, with the directors in each class having a three-year term. Except as otherwise provided by law and subject to the rights of any class or series of preferred stock, vacancies on our Board (including a vacancy created by an increase in the size of our Board) may be filled by the affirmative vote of a majority of the remaining directors. A director elected by our Board to fill a vacancy (other than a vacancy created by an increase in the size of our Board) shall serve for the unexpired term of such director's predecessor in office and until such director's successor is elected and qualified. A director appointed to fill a position resulting from an increase in the size of our Board shall serve until the next annual meeting of stockholders where the class of directors to which such director is assigned by our Board is to be elected by stockholders and until such director's successor is elected and qualified.

The Board currently consists of eight directors, divided into the three following classes:

*Class I:* Mohamad Ali, Peter Gyenes and Pravin Vazirani, whose current terms will expire at the Annual Meeting;

*Class II:* Charles Kane and Stephen Munford, whose current terms will expire at the annual meeting of stockholders to be held in 2016; and

*Class III:* Jeffrey Flowers, David Friend and Todd Krasnow, whose current terms will expire at the annual meeting of stockholders to be held in 2017.

Messrs. Ali, Gyenes and Vazirani have been nominated by our Board to serve as Class I directors and have each elected to stand for reelection. Each director elected at the Annual Meeting will serve for a term ending on the date of the third annual meeting of stockholders following his election and until his successor is elected and has been qualified, or until his earlier death, resignation, or removal.

Shares represented by executed **WHITE** proxy cards will be voted, if authority to do so is not withheld, for the election of Messrs. Ali, Gyenes and Vazirani. In the event that any nominee is unable to serve or for good cause will not serve, such shares will be voted for the election of such substitute nominee as our Board may propose. Each of Messrs. Ali, Gyenes and Vazirani has agreed to serve if elected, and management has no reason to believe that any such nominee will be unable to serve. Directors are elected by a plurality of the votes cast at the Annual Meeting, meaning the three nominees receiving the highest number of votes will be elected. An abstention or a broker non-vote on Proposal One will not have any effect on the election of directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE ELECTION OF MESSRS. ALI, GYENES AND VAZIRANI.**

**The Board urges you to vote for our Board's nominees by using the enclosed **WHITE** proxy card and not to sign or return or vote any proxy card sent to you by Engine Capital or anyone soliciting proxies to vote for any of the nominees of Engine Capital.**

Our Board does not recommend voting for the Engine Capital nominees. Our Board believes, based on the public statements made by Engine Capital, that the primary reason that Engine Capital has nominated candidates for election to our Board is to cause our Board to sell the Company. However, our Board does not believe that a change in the

composition of our Board is necessary to pursue the primary goal set forth in the Engine Capital letters because, as described above under Recent Developments, our Board has already caused the Company to undertake a comprehensive review of strategic alternatives which included conducting a process exploring the sale of the Company in which j2, among others, participated. As a result of the foregoing, and after careful consideration of the qualifications of the Engine Capital nominees and the qualifications of the current composition of our Board, our Board believes that Engine Capital's nominees would not meaningfully add to the capabilities of our Board or further the goals set forth in the Engine Capital letters.

**PROPOSAL TWO****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of our Board has engaged Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015 and is seeking ratification of such selection by our stockholders at the Annual Meeting. Ernst & Young LLP has audited our financial statements since the fiscal year ended December 31, 2006. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our By-Laws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm. However, the Audit Committee is submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain Ernst & Young LLP. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

To be approved, the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm must receive a For vote from the holders of a majority in voting power of the shares of Common Stock which are present in person or represented by proxy and entitled to vote on the proposal. Abstentions and broker non-votes will be counted as present. Abstentions will have the same effect as an Against vote for purposes of determining whether this matter has been approved. Broker non-votes will be counted as present but will not be counted for any other purpose in determining whether this matter has been approved.

**THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE RECOMMEND A VOTE *FOR* THE RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.**



## PROPOSAL THREE

### ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

In accordance with Section 14A of the Exchange Act, we are asking stockholders to approve, on an advisory (non-binding) basis, the compensation of our named executive officers (sometimes referred to as "say on pay"). We currently intend to submit the compensation of our named executive officers to stockholders annually, consistent with the advisory vote at our 2011 annual meeting of stockholders. Accordingly, you may vote on the following resolution at the Annual Meeting:

RESOLVED that the stockholders approve, on an advisory (non-binding) basis, the compensation of the Company's named executive officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in this Proxy Statement.

This vote is nonbinding. However, our Board and the Compensation Committee value the opinions expressed by our stockholders and will carefully consider the outcome of this vote when making future compensation decisions for the Company's executive officers.

As described in detail in the Compensation Discussion and Analysis, our compensation programs are designed to motivate our executive officers to create a successful company. Our philosophy is to tie a greater percentage of an executive officer's compensation to stockholder returns and to keep cash compensation to a nominally competitive level while providing the opportunity to be well-rewarded through equity if we perform well over time. We believe that our executive compensation program, with its balance of short-term incentives (including base salary and performance bonuses) and long-term incentives (including equity awards) reward sustained performance that is aligned with long-term stockholder interests. Stockholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure for a comprehensive explanation and analysis of our executive compensation policies and practices.

The affirmative vote from the holders of a majority in voting power of the shares of Common Stock which are present in person or represented by proxy and entitled to vote on the proposal is required for approval of Proposal Three. Abstentions and broker non-votes will be counted as present. Abstentions will have the same effect as an "Against" vote for purposes of determining whether this matter has been approved. Broker non-votes will be counted as present but will not be counted for any other purpose in determining whether this matter has been approved.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS, THE ACCOMPANYING COMPENSATION TABLES, AND THE RELATED NARRATIVE DISCLOSURE.**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of April 27, 2015, information regarding beneficial ownership of our Common Stock by:

each person, or group of affiliated persons, known by us to beneficially own more than 5% of our Common Stock;

each executive officer whose name appears in the Summary Compensation Table in this Proxy Statement;

each of our directors and director nominees; and