
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 19, 2018**

CARBONITE, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35264
(Commission
File Number)

33-1111329
(IRS Employer
Identification No.)

Two Avenue de Lafayette, Boston, Massachusetts 02111
(Address of principal executive offices, including ZIP code)

(617) 587-1100
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions

- Written communications pursuant to Rule 425 under the Securities Act (17 C.F.R. §230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 C.F.R. §230.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 C.F.R. §14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 C.F.R. §13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Explanatory Note

Carbonite, Inc. (the "Company") hereby amends its Current Report on Form 8-K ("Initial Form 8-K"), originally filed on March 19, 2018, related to the acquisition of all of the issued and outstanding capital stock of Mozy, Inc. ("Mozy") as contemplated by a definitive Master Acquisition Agreement (the "Agreement"), dated as of February 12, 2018, by and among EMC Corporation, Mozy, Dell Technologies Inc and the Company. The Company is filing this Form 8-K/A for the purpose of including the required financial statements and pro forma financial information in accordance with the requirements of Item 9.01 of Form 8-K. The financial statements and information filed within this Form 8-K/A should be read in conjunction with the Initial Form 8-K.

Item 9.01 (a), (b) and (d) Financial Statements and Exhibits.

- 2.1 + [Master Acquisition Agreement by and among Carbonite, Inc., EMC Corporation, Mozy, Inc. and Dell Technologies Inc. dated February 12, 2018.](#)
- 10.1 + [Credit Agreement, dated as of March 19, 2018 by and between Carbonite, Inc., Silicon Valley Bank, Citizens Bank, N.A., HSBC Bank USA, N.A., Barclays Bank PLC and Wells Fargo Bank, National Association.](#)
- 23.1 * [Consent of Independent Auditors](#)
- 99.1 + [Press Release, dated March 19, 2018.](#)
- 99.2 * [Abbreviated Financial Statements of Mozy](#)
- 99.3 * [Unaudited Pro Forma Condensed Combined Financial Statements](#)

* Filed herewith.

+ Previously filed/furnished with Initial Form 8-K on March 19, 2018.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized on June 4, 2018.

CARBONITE, INC.

By: /s/ Anthony Folger

Name: Anthony Folger

Title: Chief Financial Officer

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement Nos. 333-192400, 333-217440 and 333-225380 on Form S-3 and 333-176373, 333-179988, 333-187089, 333-194332, 333-202645, 333-210017, 333-218088, 333-216757 and 333-223588 on Form S-8 of Carbonite, Inc. of our report dated June 4, 2018, relating to the abbreviated financial statements of Mozy, Inc. and its subsidiaries, a subsidiary of Dell Technologies, Inc., which comprise the statement of assets acquired and liabilities assumed as of February 2, 2018, the related statement of revenue and direct expenses for the year then ended, and a statement of assets acquired and liabilities assumed at fair value as of March 19, 2018 (which report expresses an unmodified opinion and includes an emphasis-of-matter paragraph referring to the purpose of the statements), appearing in this current report on Form 8-K/A of Carbonite, Inc.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
June 4, 2018

**Mozy Inc.,
Abbreviated Financial Statements**

Mozy, Inc.
Abbreviated Financial Statements
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Carbonite, Inc.
Boston, Massachusetts

We have audited the accompanying abbreviated financial statements of Mozy, Inc. and its subsidiaries (the "Company"), a subsidiary of Dell Technologies, Inc., which comprise the statement of assets acquired and liabilities assumed as of February 2, 2018, the related statement of revenue and direct expenses for the year then ended, and a statement of assets acquired and liabilities assumed at fair value as of March 19, 2018, and the related notes to the abbreviated financial statements (collectively referred to as the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets acquired and liabilities assumed of Mozy, Inc. and its subsidiaries as of February 2, 2018, its revenues and direct expenses for the year then ended, and the assets acquired and liabilities assumed of Mozy, Inc. and its subsidiaries at fair value as of March 19, 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements have been prepared for the purposes of presenting the assets acquired and liabilities assumed and revenue and direct expenses of the Company, and are not intended to be a complete presentation of the financial position, results of operations or cash flows of the Company. Our opinion is not modified with respect to this matter.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
June 4, 2018

Mozy, Inc.
Statement of Assets Acquired and Liabilities Assumed

	February 2, 2018
	(in thousands)
ASSETS ACQUIRED	
Current assets	
Cash	\$ 3,917
Accounts receivable, net of allowance for doubtful accounts of \$742	2,181
Prepaid and other current assets	764
Total current assets	6,862
Property and equipment, net	12,829
Deferred tax assets	806
Total assets acquired	<u>\$ 20,497</u>
LIABILITIES ASSUMED	
Current liabilities	
Accounts payable	\$ 193
Accrued liabilities	621
Deferred revenue	16,265
Total current liabilities	17,079
Deferred revenue, net of current portion	9,628
Total liabilities assumed	<u>26,707</u>
Net liabilities assumed	<u>\$ (6,210)</u>

The accompanying notes are an integral part of these abbreviated financial statements.

Mozy, Inc.
Statement of Revenue and Direct Expenses

	Year ended February 2, 2018
	(in thousands)
Revenue	\$ 71,791
Cost of revenue	25,547
Gross profit	46,244
Direct expenses	
Research and development	5,584
Sales and marketing	9,775
General and administrative	5,236
Other income, net	(472)
Total direct expenses	20,123
Revenue in excess cost of revenue and direct expenses	\$ 26,121

The accompanying notes are an integral part of these abbreviated financial statements.

Mozy, Inc.
Statement of Assets Acquired and Liabilities Assumed at Fair Value

	<u>March 19, 2018</u>
	(in thousands)
ASSETS ACQUIRED	
Current assets	
Cash	\$ 332
Accounts receivable	1,629
Prepaid and other current assets	632
Total current assets	<u>2,593</u>
Property and equipment	7,169
Deferred tax assets	242
Intangible assets	96,500
Goodwill	74,871
Total assets acquired	<u>\$ 181,375</u>
LIABILITIES ASSUMED	
Current liabilities	
Accounts payable	\$ 254
Accrued liabilities	508
Deferred revenue	15,682
Total current liabilities	<u>16,444</u>
Deferred revenue, net of current portion	3,928
Deferred tax liability	16,140
Total liabilities assumed	<u>36,512</u>
Net assets acquired (assumed)	<u>\$ 144,863</u>

The accompanying notes are an integral part of these abbreviated financial statements.

Mozy, Inc.
Notes to Abbreviated Financial Statements

1. Business Overview and Basis of Presentation

Mozy, Inc., a Delaware company, and its subsidiaries, which include Mozy Holdings Limited and Mozy International Limited, both organized under the laws of Ireland, (collectively “Mozy” or the “Company,”) provides cloud backup services for consumers and businesses through its suite of products including MozyHome, MozyPro and MozyEnterprise. Mozy was a wholly owned subsidiary of EMC Corporation, which is a subsidiary of Dell Technologies, Inc through March 18, 2018.

On February 12, 2018, Carbonite, Inc. ("Carbonite") entered into a definitive Master Acquisition Agreement ("Acquisition Agreement") with EMC Corporation and Dell Technologies, Inc. (collectively “Dell” or “Parent”). Pursuant to the Acquisition Agreement, Carbonite completed the acquisition of all the issued and outstanding capital stock of Mozy on March 19, 2018, for a purchase price of \$144.5 million in cash, net of cash acquired. The purchase price is subject to an adjustment for working capital. Pursuant to the Acquisition Agreement, Carbonite acquired all the assets and assumed all the liabilities of Mozy except for certain excluded assets and liabilities identified in the Acquisition Agreement. Excluded assets consisted mainly of certain assets used in Mozy’s activities in China, any assets related to the use of Parent corporate services, any assets associated with corporate insurance policies, and any claims, rights or interests to certain tax refunds. Excluded liabilities consisted of certain tax liabilities, liabilities in respect to indebtedness for borrowed money, unpaid bonus payments or any other guarantees, any liabilities for unpaid salary amounts as of the acquisition date, liabilities for commissions related to the Company’s fiscal year ended February 2, 2018, and any liabilities for Parent benefit plans. Further, intercompany receivables and payables between Mozy and the Parent and its subsidiaries were not acquired nor assumed. Carbonite assumed certain liabilities of the Parent, including severance liabilities in excess of a defined amount and other certain contingent employee termination liabilities, certain tax liabilities, any liabilities in respect to legal proceedings related to Mozy’s activities, any liabilities arising out of actual or alleged infringement of any intellectual property of any third-party related to Mozy’s activities. Additionally, Carbonite assumed all liabilities associated with the Parent’s unpaid long-term incentive cash plan that relate to Mozy employees that transferred to Carbonite in the transaction.

The accompanying abbreviated financial statements, which are comprised of the statement of assets acquired and liabilities assumed as of February 2, 2018 and a statement of revenue and direct expenses for the fiscal year ended February 2, 2018, are presented on a historical cost basis. Collectively, these financial statements are referred to as the “Abbreviated Financial Statements”. Mozy’s fiscal year began on February 4, 2017 and ended on February 2, 2018. The Company has not applied push-down accounting in the preparation of the Abbreviated Financial Statements as of and for the year ended February 2, 2018. Accordingly, any goodwill, intangible assets or any related impairment charges reflected in Dell’s historical consolidated financial statements are not recorded in these financial statements. The statement of revenue and direct expenses for the fiscal year ended February 2, 2018 includes revenue and expenses directly attributable to the Mozy business. Direct expenses include sales and marketing, research and development, depreciation, and other administrative costs directly associated with Mozy’s revenue producing activities. Certain expenses directly related to the revenue producing activities of Mozy including facilities and information technology licenses and services, which have not historically been included in Mozy’s results of operations, have been estimated and included in the statement of revenue and direct expenses for the fiscal year ended February 2, 2018. Management has based the estimate of these expenses on the amounts charged under a transition services agreement which Carbonite entered into in connection with the Acquisition Agreement. Management believes these estimates to be a reasonable reflection of the utilization of services by, or the benefits provided to Mozy. Estimates for such costs totaled \$1.5 million for the fiscal year ended February 2, 2018. Direct expenses exclude costs that are not directly involved in the revenue producing activity, such as interest, taxes, and Parent corporate overhead which includes the use of Parent facilities and corporate payroll costs.

The statement of assets acquired and liabilities assumed at fair value as of March 19, 2018 is presented on a fair value basis and includes the acquisition accounting adjustments related to the Acquisition Agreement as of the acquisition date. The statement of assets acquired and liabilities assumed at fair value as of March 19, 2018 includes identifiable assets acquired, including tangible and intangible assets, and liabilities assumed at their acquisition date fair value. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net assets acquired and the liabilities assumed. Refer to *Note 8*.

These Abbreviated Financial Statements and statement of assets acquired and liabilities assumed at fair value have been prepared for the purpose of supporting Carbonite in complying with Rule 3-05 of the U.S. Securities and Exchange Commission’s Regulation S-X. Separate financial statements have not historically been prepared for Mozy. While Mozy was a separate legal entity, Dell never allocated certain corporate expenses to Mozy including interest expense, corporate overhead expenses and income taxes. Certain centrally provided services, which are shared by Dell’s various businesses, corporate functions, and other areas of Dell are not recorded in a manner that would enable the development of full stand-alone financial statements required by Rule 3-05 of Regulation S-X. As such, it is not possible to provide a meaningful allocation of certain business unit and corporate costs, interest or tax, and only costs directly related to the revenue producing activities of Mozy are included in these Abbreviated Financial Statements. These financial statements have been derived, in part, from Dell’s historical accounting records as if Mozy’s

operations had been conducted independently from Dell and were prepared on a stand-alone basis.

These Abbreviated Financial Statements and statement of assets acquired and liabilities assumed at fair value may not be indicative of what they would have been had Mozy been an independent stand-alone entity, nor are they necessarily indicative of Mozy's future financial condition or results of operations going forward due to the omission of various operating expenses.

While the Company maintains its own bank accounts, certain operating activities are funded and settled through intercompany accounts. As such, a statement of cash flows is not presented.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts in the Abbreviated Financial Statements and statement of assets acquired and liabilities assumed at fair value and accompanying notes. Actual amounts could differ from those estimated amounts. Significant estimates inherent in the preparation of these financial statements include, but are not limited to, the estimation of direct costs paid by the Parent that have not been historically included in Mozy's statement of operations and the recognition, at their acquisition date fair value, of assets acquired (including fixed assets, goodwill, and intangible assets) and of liabilities assumed (including deferred revenue and deferred tax liabilities).

Revenue Recognition

The Company derives revenue from Software-as-a-Service ("SaaS") arrangements through four primary product offerings, including MozyPro, MozyEnterprise, MozyHome, and Service Provider. The Company also sells professional services which primarily relate to training services for Service Provider and MozyEnterprise customers. The Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the fee is fixed or determinable and (iv) collectability is probable. The Company's revenue recognition policies for these revenue streams are discussed below.

The Company derives the majority of its revenue from data protection solutions sold as subscriptions. These services are standalone independent service solutions, which are generally contracted for a one- to three-year term. Subscription arrangements include access to use the Company's services via the internet. The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 605, *Revenue Recognition*. Subscription revenue is recognized ratably on a daily basis upon activation of service over the subscription period, when persuasive evidence of an arrangement with a customer exists, the subscription period has been activated, the price is fixed or determinable, and collection is reasonably assured. Non-current deferred revenue is expected to be recognized on or over a 12-month period. Professional services are generally provided on a time and materials basis and revenue from professional services is recognized as services are performed.

The Company excludes any taxes assessed by a governmental authority that are directly imposed on a revenue-producing transaction (i.e., sales, use and value added) from its revenue and costs.

Cost of Revenue

Cost of revenue consists primarily of direct costs associated with the Company's data center operations and customer support centers, including wages and benefits for personnel, depreciation of equipment, amortization of developed technology, rent, utilities and broadband, cost of hardware, equipment maintenance, hosting fees, and software license fees.

Research and development

Research and development expenses consist primarily of wages and benefits for development personnel, third-party outsourcing costs, hosting fees, consulting fees, rent, and depreciation. These expenses are expensed as incurred.

General and administrative

General and administrative expenses consist primarily of wages and benefits for Mozy's management, finance, accounting, legal and other administrative personnel, legal and accounting fees, and other corporate expenses.

Sales and marketing

Sales and marketing expenses consist primarily of wages and benefits for sales and marketing personnel, advertising costs, credit card fees, and commissions paid to third-party partners and affiliates. The Company incurred \$1.3 million of advertising expense during the fiscal year ended February 2, 2018, and expensed advertising costs as incurred.

Concentrations of Credit Risk and Accounts Receivables

The Company's credit risk is mitigated by the size and diversity of its customer base as well as its geographic dispersion. The Company estimates receivables for which full collection is not expected based on historical collection rates and ongoing evaluations of the creditworthiness of customers. An allowance is recorded for these amounts deemed uncollectible. No single customer accounted for more than 10% of revenue for the fiscal year ended February 2, 2018. No customer represented more than 10% of accounts receivable as of February 2, 2018 or March 19, 2018.

Property and Equipment, net

Property and equipment is stated at cost as of February 2, 2018 and at fair value as of March 19, 2018. Property and equipment is depreciated under the straight-line method at rates designed to distribute the cost of property and equipment over estimated useful lives of the assets (or lease life, if shorter) ranging from one to seven years. When certain events or changes in operating conditions occur, an impairment assessment may be performed on the recoverability of the carrying amounts.

The Company accounts for the costs of computer software obtained or developed for internal use in accordance with ASC 350, *Intangibles - Goodwill and Other*. Computer software development costs are expensed as incurred, except for internal use software costs that qualify for capitalization, and include employee related expenses, including salaries and benefits, costs of computer hardware and software, and costs incurred in developing features and functionality. These capitalized costs are included in property and equipment and are recorded at historical cost as of February 2, 2018. The Company expenses costs incurred in the preliminary project and post-implementation stages of software development and capitalizes costs incurred in the application development stage and costs associated with significant enhancements to existing internal use software applications. Software costs are amortized using the straight-line method commencing when the software project is ready for its intended use over a two-year useful life.

Foreign Currency Translation

The reporting and functional currency of Mozy, Inc. and its subsidiaries, is the U.S. dollar. Gains or losses arising from transactions denominated in non-U.S. dollar currencies and the effect of remeasuring non- U.S. denominated assets and liabilities are recorded in "Other (Income) Expense" in the accompanying statement of revenue and direct expenses for the fiscal year ended February 2, 2018.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Topic 606"), which updated guidance and disclosure requirements for recognizing revenue. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The revenue standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Major provisions include determining which goods and services are distinct and require separate accounting (i.e., performance obligations), how variable consideration is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. The Company adopted this standard as of February 3, 2018 using the modified retrospective transition method. The information for the year ended February 2, 2018 has not been restated and continues to be reported under the accounting standards in effect for the period presented.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize the assets and liabilities on their balance sheet for the rights and obligations created by most leases and continue to recognize expenses on their income statements over the lease term. It will also require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. The guidance is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the effect of the standard on its consolidated financial statements, and expects that upon adoption a significant lease obligation and right to use asset will be recognized.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not have, or are not believed by management to have, a material impact on the Company's present or future financial statements.

3. Related Party Transactions

Dell and certain subsidiaries (collectively "Dell Entities") sell the Company's products as part of providing expanded service offerings to its customers. For these transactions, the Company records revenue from the Dell Entities based on either a percentage

of the contractual amount of Mozy products sold to the customer or a fixed amount per transaction. These transactions are settled through intercompany payments with Dell Entities. Included in the Company's revenue amount for the fiscal year ended February 2, 2018, is \$13.0 million of revenue related to transactions with Dell Entities.

Additionally, included in revenue for the fiscal year ended February 2, 2018 is \$0.7 million related to Mozy subscriptions that were provided to certain Dell employees, who were not employees of Mozy. These subscriptions were recorded as an intercompany receivable from Dell.

The Company outsourced the management of its production and disaster recovery data centers to Virtustream, a subsidiary of the Parent. Included in the statement of revenue and direct expenses as of February 2, 2018 as a cost of revenue is \$5.9 million of expenses incurred under Mozy's agreement with Virtustream.

All intercompany assets and liabilities with the Parent and its subsidiaries have been excluded from the Abbreviated Financial Statements and statement of assets acquired and liabilities assumed at fair value as intercompany receivables were not acquired and intercompany liabilities were not assumed. All intercompany transactions between Mozy subsidiaries have been eliminated upon consolidation.

4. Property and Equipment, net

Property and equipment consists of the following (in thousands):

	February 2, 2018
	(at historical cost)
Computer equipment	\$ 55,704
Furniture and fixtures	26
Building and leasehold improvements	288
Internal-use software	27,040
Total property and equipment	<u>83,058</u>
Less accumulated depreciation	(70,229)
Property and equipment, net	<u>\$ 12,829</u>

Depreciation expense related to property and equipment was \$22.1 million for the fiscal year ended February 2, 2018.

5. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	February 2, 2018
	(at historical cost)
Accrued compensation	\$ 202
Accrued consulting and professional fees	245
Accrued sales and marketing	80
Accrued other expenses	94
Total accrued expenses	<u>\$ 621</u>

6. Income Taxes

The statement of revenue and direct expenses as of February 2, 2018 does not include a provision for income taxes. The Abbreviated Financial Statements include certain deferred tax assets and liabilities, primarily related to timing differences between book and tax for fixed assets and deferred revenue, as these assets were acquired and liabilities were assumed by Carbonite. The Company does not have any net operating loss carry forwards or tax credits available.

The tax effects of temporary differences that give rise to deferred tax assets (liabilities) as of February 2, 2018 are as follows (in thousands):

	February 2, 2018
	(at historical cost)
Deferred tax assets:	
Deferred revenue	\$ 2,885
Other	40
Total deferred tax assets	2,925
Deferred tax liabilities:	
Amortization	—
Depreciation	(2,109)
Other	(10)
Total deferred tax liabilities	(2,119)
Net deferred tax assets	<u>\$ 806</u>

7. Commitments and Contingencies

The Company's principal commitments consist of non-cancellable leases for its office equipment. Rental expense associated with operating leases is charged to expense in the period incurred. Rent expense of \$0.1 million was included in general and administrative expense in the statement of revenue and direct expenses for the fiscal year ended February 2, 2018, as the Company resides in space leased by the Parent. As of February 2, 2018, the Company does not have any significant minimum rental commitments under non-cancelable operating leases.

The Company is from time to time subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. The Company assesses its litigation and/or threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss if reasonably possible to estimate, in situations where the Company assesses the likelihood of loss as probable. The Company is not aware of any existing matters that would have a material adverse effect on the Company's activities as of the date of the Abbreviated Financial Statements.

8. Purchase Price Adjustments Related to Mozy Acquisition

The acquisition of Mozy has been accounted for as a business combination by Carbonite, and Carbonite has recorded the assets acquired and liabilities assumed at their respective fair values as of March 19, 2018.

The purchase price allocation is considered preliminary, and additional adjustments may be recorded during the measurement period in accordance with authoritative guidance regarding business combinations. The following tables summarize the preliminary purchase price allocation (in thousands):

Fair value of consideration transferred:	
Cash, net of cash acquired	<u>\$ 144,531</u>
Fair value of total consideration	<u>\$ 144,531</u>

Fair value of assets acquired and liabilities assumed:

Accounts receivable	\$	1,629
Prepaid and other current assets		632
Property and equipment		7,169
Deferred tax asset		242
Intangible assets		96,500
Goodwill		74,871
Total assets acquired		181,043
Accounts payable		(254)
Accrued liabilities		(508)
Deferred revenues		(19,610)
Deferred tax liability		(16,140)
Net assets acquired	\$	144,531

Carbonite engaged a third-party valuation firm to assist in the valuation of intangible assets consisting of customer relationships, developed technology and the Mozy trade name as well as in the valuation of deferred revenue and property and equipment. The fair values of the remaining Mozy assets and liabilities noted above approximate their carrying values at March 19, 2018.

In connection with the acquisition of Mozy, goodwill of \$74.9 million was recognized for the excess purchase price over the fair value of the net assets acquired. Goodwill is not deductible for tax purposes as this acquisition was a stock purchase. The significant intangible assets identified in the purchase price allocation discussed above include customer relationships, developed technology, and trade names which are amortized over their estimated useful lives based on the pattern of consumption of the economic benefits or, if that pattern cannot be readily determined, on a straight-line basis. Customer relationships represent the underlying relationships with certain customers to provide ongoing services for products sold. To value the customer relationship asset, Carbonite utilized the income approach, specifically a discounted cash-flow method known as the excess earnings method. Developed technology consists of products that have reached technological feasibility and trade names represent acquired company and product names. The developed technology intangible was valued using a relief from royalty method, which considers both the market approach and the income approach. The trade name intangible was valued using the replacement cost/lost profits methodology. The following table presents the estimated fair values and useful lives of the identifiable intangible assets acquired and risk-adjusted discount rates used in the valuation:

	Amount	Weighted Average Useful Life
	(in thousands)	(in years)
Developed technology	\$ 8,700	2
Customer relationships	87,300	7
Trade names	500	2
Total identifiable intangible assets	\$ 96,500	

9. Selected Cash Flow Disclosures

A statement of cash flow was not prepared or presented in the accompanying Abbreviated Financial Statements as operations of Mozy are aggregated and managed by the Parent. The Company's cash flow from operations from February 4, 2017 to February 2, 2018 was impacted by, a decrease in deferred revenue, partially offset by decreases in accounts receivables and prepaid assets. The Company did not acquire a significant amount of property and equipment during the fiscal year ended February 2, 2018. Additionally, the Company entered into intercompany transactions with the Parent that were settled in cash between the parties during the fiscal year ended February 2, 2018. The Company did not complete any financing activities from any party other than the Parent.

10. Subsequent Events

Subsequent events have been evaluated through June 4, 2018, the date these Abbreviated Financial Statements and statement of assets acquired and liabilities assumed at fair value were issued.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

As previously disclosed, on February 12, 2018, Carbonite, Inc. (the "Company") entered into a definitive Master Acquisition Agreement ("Acquisition Agreement") with EMC Corporation ("EMC"), Mozy, Inc. ("Mozy") and Dell Technologies, Inc. Pursuant to the Acquisition Agreement, on March 19, 2018, the Company completed the acquisition of all of the issued and outstanding capital stock of Mozy. The following unaudited pro forma condensed combined financial information and related notes combine the historical financial statements of Carbonite and Mozy.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2017 gives effect to the acquisition as if it had occurred on January 1, 2017, the beginning of the Company's fiscal year. The historical condensed combined financial information has been adjusted to give effect to pro forma events that are: 1) directly attributable to the acquisition; 2) factually supportable; and 3) with respect to the statement of operations, expected to have a continuing impact on the combined results. The unaudited pro forma financial statements were prepared in accordance with Article 11 of U.S. Securities and Exchange Commission Regulation S-X. In the opinion of management, all adjustments necessary to present fairly the unaudited pro forma condensed combined financial information have been made. The assumptions underlying the pro forma adjustments are described fully in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information. An unaudited pro forma combined balance sheet has not been presented as the acquisition has already been fully reflected in the unaudited condensed consolidated balance sheet included in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2018, filed on May 10, 2018.

The unaudited pro forma condensed combined financial information is derived from and should be read in conjunction with the Company's historical audited financial statements for the fiscal year ended December 31, 2017, which are available in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and the historical abbreviated financial statements of Mozy included as Exhibit 99.2 in this Form 8-K/A.

The allocation of the purchase price as reflected in the unaudited pro forma condensed combined financial information was based on a preliminary valuation of the assets acquired and liabilities assumed, and the accounting is subject to revision as more detailed analyses are completed and additional information about the fair value of assets acquired and liabilities assumed becomes available.

The unaudited pro forma condensed combined financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved if Mozy had been acquired and the other transactions had been completed on the date or for the periods presented, and does not purport to indicate the results of operations or financial position as of any future date or for any future period.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2017
(in thousands, except per share and per share data)

	Historical		Pro Forma Adjustments	Notes	Pro Forma Combined
	Carbonite	Mozy			
Revenue:					
Services	\$ 207,403	\$ 71,791	\$ (4,686)	c	\$ 274,508
Product	32,059	—	—		32,059
Total revenue	239,462	71,791	(4,686)		306,567
Cost of revenue:					
Services	59,211	25,547	(3,784)	d	80,974
Product	2,677	—	—		2,677
Amortization of intangible assets	8,179	—	7,060	a	15,239
Total cost of revenue	70,067	25,547	3,276		98,890
Gross profit	169,395	46,244	(7,962)		207,677
Operating expenses:					
Research and development	46,160	5,584	—		51,744
General and administrative	42,862	5,236	—		48,098
Sales and marketing	89,299	9,775	—		99,074
Amortization of intangible assets	2,092	—	12,648	a	14,740
Restructuring charges	1,047	—	—		1,047
Total operating expenses	181,460	20,595	12,648		214,703
(Loss) income from operations	(12,065)	25,649	(20,610)		(7,026)
Interest expense	(7,447)	—	(3,727)	b	(11,174)
Interest income	581	—	—		581
Other income (expense), net	1,252	472	—		1,724
(Loss) income before income taxes	(17,679)	26,121	(24,337)		(15,895)
(Benefit) provision for income taxes	(13,677)	—	667	e	(13,010)
Net (loss) income	\$ (4,002)	\$ 26,121	\$ (25,004)		\$ (2,885)
Net loss per common share:					
Basic	\$ (0.14)				\$ (0.10)
Diluted	\$ (0.14)				\$ (0.10)
Weighted-average number of common share outstanding:					
Basic	27,779,098				27,779,098
Diluted	27,779,098				27,779,098

See accompanying notes to unaudited pro forma condensed combined financial information.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(in thousands, except share and per share)

1. Basis of Presentation

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2017 was derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and the audited historical financial information of Mozy for the year ended February 2, 2018, and has been prepared as if the acquisition had occurred on January 1, 2017. The unaudited pro forma condensed combined financial information herein has been prepared to illustrate the effects of the acquisition in accordance with U.S. GAAP. An unaudited pro forma combined balance sheet has not been presented as the acquisition has already been fully reflected in the unaudited condensed consolidated balance sheet included in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2018, filed on May 10, 2018.

We have accounted for the acquisition under the acquisition method of accounting in accordance with the authoritative guidance on business combinations under the provisions of Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"). The purchase price allocation is considered preliminary, and additional adjustments may be recorded during the measurement period in accordance with ASC 805. The purchase price allocation will be finalized as the Company receives additional information relevant to the acquisition, including the final valuation and reconciliation of the assets purchased, including tangible and intangible assets, liabilities assumed, and the related impact to the deferred tax assets and liabilities. Differences between these preliminary estimates and the final purchase accounting may occur, and these differences could be material.

The unaudited pro forma condensed combined financial information is presented solely for informational purposes and is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the periods presented, nor is it necessarily indicative of the future results of the combined company.

2. Preliminary Purchase Price Allocation

On February 12, 2018, the Company entered into a definitive Acquisition Agreement with EMC, Mozy and Dell Technologies, Inc. Pursuant to the Acquisition Agreement, on March 19, 2018, the Company completed the acquisition of all of the issued and outstanding capital stock of Mozy, a cloud backup service for consumers and businesses, and certain related business assets owned by EMC or its affiliates, for a purchase price of \$144.5 million in cash, net of cash acquired. In connection with the Acquisition Agreement, on March 19, 2018, the Company entered into a credit agreement with Silicon Valley Bank, Citizens Bank, N.A., HSBC Bank USA, N.A., Barclays Bank PLC and Wells Fargo Bank, National Association ("Revolving Credit Facility"). The purchase price was funded with cash on hand and funds available under the Company's Revolving Credit Facility.

The purchase price allocation is considered preliminary, and additional adjustments may be recorded during the measurement period in accordance with ASC 805. The following tables summarize the preliminary purchase price allocation (in thousands):

Fair value of consideration transferred:		
Cash, net of cash acquired	\$	144,531
Fair value of total consideration	\$	144,531

Fair value of assets acquired and liabilities assumed:

Accounts receivable	\$	1,629
Prepaid and other current assets		632
Property and equipment		7,169
Other long-term assets		242
Intangible assets		96,500
Goodwill		74,871
Total assets acquired		181,043
Accounts payable		(254)
Accrued liabilities		(508)
Deferred revenues		(19,610)
Deferred tax liability		(16,140)
Net assets acquired	\$	144,531

The significant intangible assets identified in the purchase price allocation discussed above include customer relationships, developed technology, and trade names which are amortized over their estimated useful lives based on the pattern of consumption of the economic benefits or, if that pattern cannot be readily determined, on a straight-line basis. Customer relationships represent the underlying relationships with certain customers to provide ongoing services for products sold. To value the customer relationship asset, the Company utilized the income approach, specifically a discounted cash-flow method known as the excess earnings method. Developed technology consists of products that have reached technological feasibility and trade names represent acquired company and product names. The developed technology intangible was valued using a relief from royalty method, which considers both the market approach and the income approach. The trade name intangible was valued using the replacement cost/lost profits methodology. The following table presents the estimated fair values and useful lives of the identifiable intangible assets acquired and risk-adjusted discount rates used in the valuation:

	Amount	Weighted Average Useful Life
	(in thousands)	(in years)
Developed technology	\$ 8,700	2
Customer relationships	87,300	7
Trade names	500	2
Total identifiable intangible assets	\$ 96,500	

3. Pro Forma Adjustments

The following describes the pro forma adjustments related to the acquisition that have been made in the accompanying unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017, giving effect to the acquisition as if it had been consummated at the beginning of the period presented, all of which are based on preliminary estimates that could change significantly as additional information is obtained:

- a. Represents the preliminary estimate of amortization expense for the year ended December 31, 2017 related to the acquired identifiable intangible assets calculated as if the acquisition had occurred on January 1, 2017. Refer to *Note 2—Preliminary Purchase Price Allocation* included within this Form 8-K/A for additional information regarding the amortization lives of the intangible assets expected to be recognized. The adjustment to amortization expense has been recorded in the "Amortization of intangible assets" caption in the following areas of the unaudited pro form condensed combined statement of operations as follows (in thousands):

	Year ended December 31, 2017
Cost of revenue	\$ 7,060
Operating expenses	12,648
Total	\$ 19,708

- b. Represents the estimated additional annual interest expense resulting from interest on the new Revolving Credit Facility to finance the acquisition of Mozy and the amortization of related debt issuance costs. The interest rate assumed for purposes of the unaudited pro forma condensed combined statement of operations was 3.5525%, which is comprised of the three-month LIBOR rate of 2.1775% two business days prior to the date of borrowing, plus an applicable margin specified in the Revolving Credit Facility of 1.375%. The following adjustments have been recorded to interest expense (in thousands):

	Year ended December 31, 2017	
Interest expense	\$	3,341
Amortization of debt issuance costs		386
Total	\$	3,727

- c. To reflect estimated amortization of preliminary fair value adjustment for acquired deferred revenue of \$4.7 million calculated as if the acquisition had occurred on January 1, 2017.
- d. To reverse depreciation expense resulting from the application of fair value measurement to acquired property and equipment. Pro forma adjustments are as follows (in thousands):

	Year ended December 31, 2017	
Cost of revenue	\$	3,784
Total	\$	3,784

- e. To record the tax effect of combining the Carbonite and Mozy businesses. The statement of revenue and direct expenses as of February 2, 2018 does not include a provision for income taxes. As such, the pro forma tax adjustment includes the provision for income taxes on the historical financial statements as of February 2, 2018 as well as the income tax effect of the pro forma adjustments.