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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**FORM 10-Q**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**(Mark One)**

* **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2021**

**OR**

* **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission file number 001-41026**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**BACKBLAZE, INC.**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**(Exact name of registrant as specified in its charter)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Delaware** |  |  |  | **20-8893125** |
| (State or other jurisdiction of |  |  |  | (I.R.S. Employer |
| incorporation or organization) |  |  |  | Identification No.) |
|  |  |  |  | **94401** |
|  |  |  |  | **(Zip Code)** |
|  |  | **500 Ben Franklin Ct** | |  |
|  |  | **San Mateo, CA 94401** | |  |
|  | (Address of principal executive offices) | | |  |
|  | **(650) 352-3738** | |  |  |
| Registrant’s telephone number, including area code | | | | |
|  | **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** | | |  |
| Securities registered pursuant to Section 12(b) of the Act: |  |  |  |  |
|  |  |  |  |  |
| Title of each class |  | Trading Symbol(s) |  | Name of each exchange on which registered |
| Class A Common Stock, $0.0001 par value per share |  | BLZE |  | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes o No ☒\*

\* The registrant became subject to such requirements on November 10, 2021 and has filed all reports so required since that date.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

|  |  |  |  |
| --- | --- | --- | --- |
| Large accelerated filer | ☐ | Accelerated filer | o |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
|  |  | 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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).Yes ☐ No ☒

As of November 30, 2021, 7.9 million shares of the registrant’s Class A common stock were outstanding, and 22.4 million shares of registrant's Class B common stock were outstanding.



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other important factors that are in some cases beyond our control and may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

* our ability to sell our platform to new customers;
* our ability to retain and expand use of our platform by our existing customers;
* our ability to effectively manage our growth;
* our ability to successfully obtain timely returns on our investments in initiatives relating to sales and marketing, research and development, and other areas;
* our ability to maintain our competitive advantages;
* our ability to maintain and expand our partner ecosystem;
* our ability to maintain the security of our platform and the security and privacy of customer data;
* our ability to successfully expand in our existing markets and into new markets;
* the size and growth of our estimated total addressable market;
* the attraction and retention of qualified employees and key personnel;
* our ability to successfully defend litigation brought against us;
* the impact of the COVID-19 pandemic and other disruptive events on our business or that of our customers, partners, and supply chain;
* our ability to successfully remediate and prevent material weaknesses in internal controls over financial reporting; and
* the increased expenses associated with being a public company.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.



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The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.



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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**BACKBLAZE, INC.**

**CONDENSED BALANCE SHEETS**

**(in thousands, except share and per share data)**

**(unaudited)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **September 30,** | |  | **December 31,** |  |
|  |  | **2021** |  |  | **2020** |  |
| **Assets** |  |  |  |  |  |  |
| Current assets: |  |  |  |  |  |  |
| Cash and cash equivalents | $ | 4,684 |  | $ | 6,076 |  |
| Accounts receivable, net |  | 115 |  |  | 209 |  |
| Prepaid expenses and other current assets |  | 4,004 |  |  | 2,947 |  |
| Total current assets |  | 8,803 |  |  | 9,232 |  |
| Property and equipment, net |  | 40,395 |  |  | 38,746 |  |
| Capitalized internal-use software, net |  | 7,719 |  |  | 5,682 |  |
| Other assets |  | 3,480 |  |  | 809 |  |
| Total assets | $ | 60,397 |  | $ | 54,469 |  |
|  |  |  |  |  |  |  |
| **Liabilities, Convertible Preferred Stock and Stockholders’ Deficit** |  |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |  |
| Accounts payable | $ | 1,403 |  | $ | 1,710 |  |
| Accrued expenses and other current liabilities |  | 4,089 |  |  | 3,596 |  |
| Accrued value-added tax (“VAT”) liability |  | 2,275 |  |  | 1,533 |  |
| Capital lease liability and lease financing obligation, current |  | 11,966 |  |  | 11,320 |  |
| Deferred revenue, current |  | 21,127 |  |  | 17,587 |  |
| Debt, current |  | — | |  | 628 |  |
| Total current liabilities |  | 40,860 |  |  | 36,374 |  |
| Capital lease liability and lease financing obligation, non-current |  | 17,238 |  |  | 17,886 |  |
| Deferred revenue, non-current |  | 3,367 |  |  | 1,801 |  |
| Other long-term liabilities |  | 698 |  |  | 820 |  |
| Simple agreement for future equity (“SAFE”) notes |  | 10,359 |  |  | — |  |
| Debt, non-current |  | — | |  | 1,644 |  |
| Total liabilities | $ | 72,522 |  | $ | 58,525 |  |
| Commitments and contingencies (Note 10) |  |  |  |  |  |  |
| **Convertible Preferred Stock** |  |  |  |  |  |  |
| Convertible preferred stock, $0.001 par value; 9,000,000 shares authorized as of September 30, 2021 and |  |  |  |  |  |  |
| December 31, 2020; 3,359,195 issued and outstanding with aggregate liquidation preference of $2,852 as of |  | 2,784 |  |  | 2,784 |  |
| September 30, 2021 and December 31, 2020, respectively |  |  |  |  |
| **Stockholders’ Deficit** |  |  |  |  |  |  |
| Common stock, $0.001 par value; 36,000,000 shares authorized as of September 30, 2021 and December 31, |  |  |  |  |  |  |
| 2020; 18,936,698 and 18,614,905 shares issued and outstanding as of September 30, 2021 and December 31, |  | 5 |  |  | 5 |  |
| 2020, respectively |  |  |  |  |
| Additional paid-in capital |  | 11,824 |  |  | 7,794 |  |
| Accumulated deficit |  | (26,738) |  |  | (14,639) |  |
| Total stockholders’ deficit |  | (14,909) |  |  | (6,840) |  |
| Total liabilities, convertible preferred stock and stockholders’ deficit | $ | 60,397 |  | $ | 54,469 |  |
|  |  |  |  |  |  |  |

*See accompanying notes, which are an integral part of these condensed financial statements.*

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**BACKBLAZE, INC.**

**CONDENSED STATEMENTS OF OPERATIONS**

**(in thousands, except share and per share data)**

**(unaudited)**

**Three Months Ended September 30,**



**2021** **2020**



**Nine Months Ended September 30,**



**2021** **2020**



|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Revenue | $ | 17,320 |  | $ | 13,817 |  | $ | 48,782 |  | $ | 39,196 |  |
| Cost of revenue |  | 8,519 |  |  | 7,097 |  |  | 24,275 |  |  | 18,775 |  |
| Gross profit |  | 8,801 |  |  | 6,720 |  |  | 24,507 |  |  | 20,421 |  |
| Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |
| Research and development |  | 5,338 |  |  | 3,300 |  |  | 14,314 |  |  | 9,132 |  |
| Sales and marketing |  | 5,025 |  |  | 2,956 |  |  | 13,149 |  |  | 8,379 |  |
| General and administrative |  | 3,104 |  |  | 1,519 |  |  | 8,261 |  |  | 4,157 |  |
| Total operating expenses |  | 13,467 |  |  | 7,775 |  |  | 35,724 |  |  | 21,668 |  |
| Loss from operations |  | (4,666) |  |  | (1,055) |  |  | (11,217) |  |  | (1,247) |  |
| Interest expense |  | (968) |  |  | (793) |  |  | (2,686) |  |  | (1,946) |  |
| Gain on extinguishment of debt |  | — | |  | — | |  | 2,299 |  |  | — |  |
| Unrealized loss on SAFE |  | (359) |  |  | — | |  | (359) |  |  | — |  |
| Loss before provision for income taxes |  | (5,993) |  |  | (1,848) |  |  | (11,963) |  |  | (3,193) |  |
| Income tax provision |  | — | |  | (12) |  |  | (136) |  |  | (12) |  |
| Net loss | $ | (5,993) |  | $ | (1,860) |  | $ | (12,099) |  | $ | (3,205) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss per share, basic and diluted | $ | (0.32) |  | $ | (0.10) |  | $ | (0.64) |  | $ | (0.17) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average shares used in computing net loss per share, basic |  | 18,936,698 |  |  | 18,614,869 |  |  | 18,775,908 |  |  | 18,607,705 |  |
| and diluted |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

*See accompanying notes, which are an integral part of these condensed financial statements.*

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**BACKBLAZE, INC.**

**CONDENSED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS’ DEFICIT**

**(in thousands, except share data)**

**(unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Three Months Ended September 30, 2021** | | | | | | | |  |  |  |  |  |
|  | **Convertible** | | | | |  |  |  |  |  |  |  | **Additional** | |  |  |  |  |  |
|  | **Preferred Stock** | | | |  |  | **Common Stock** | | |  |  |  | **Paid-in** | |  | **Accumulated** | |  |  |
|  | **Shares** | |  | **Amount** | |  | **Shares** | | **Amount** |  |  |  | **Capital** | |  | **Deficit** | |  | **Total** |
| **Balance as of June 30, 2021** | 3,359,195 |  | $ | 2,784 |  |  | 18,936,698 |  | $ | 5 |  | $ | 10,219 |  | $ | (20,745) |  | $ | (10,521) |
| Net loss | — | |  | — | |  | — | |  | — | |  | — | |  | (5,993) |  |  | (5,993) |
| Stock-based compensation | — | |  | — | |  | — | |  | — | |  | 1,605 |  |  | — | |  | 1,605 |
| **Balance as of September 30, 2021** | 3,359,195 |  | $ | 2,784 |  |  | 18,936,698 |  | $ | 5 |  | $ | 11,824 |  | $ | (26,738) |  | $ | (14,909) |
|  |  |  |  |  |  |  | **Three Months Ended September 30, 2020** | | | | | | | |  |  |  |  |  |
|  | **Convertible** | | | | |  |  |  |  |  |  |  | **Additional** | |  |  |  |  |  |
|  | **Preferred Stock** | | | |  |  | **Common Stock** | | |  |  |  | **Paid-in** | |  | **Accumulated** | |  |  |
|  | **Shares** | |  | **Amount** | |  | **Shares** | | **Amount** |  |  |  | **Capital** | |  | **Deficit** | |  | **Total** |
| **Balance as of June 30, 2020** | 3,359,195 |  | $ | 2,784 |  |  | 18,614,869 |  | $ | 5 |  | $ | 6,552 |  | $ | (9,361) |  | $ | (2,804) |
| Net loss | — | |  | — | |  | — | |  | — | |  | — | |  | (1,860) |  |  | (1,860) |
| Stock-based compensation | — | |  | — | |  | — | |  | — | |  | 524 |  |  | — | |  | 524 |
| **Balance as of September 30, 2020** | 3,359,195 |  | $ | 2,784 |  |  | 18,614,869 |  | $ | 5 |  | $ | 7,076 |  | $ | (11,221) |  | $ | (4,140) |

**Balance as of December 31, 2020** Net loss

Issuance of common stock upon exercise of stock options

Stock-based compensation **Balance as of September 30, 2021**

**Nine Months Ended September 30, 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Convertible** | | | | |  |  |  |  |  |  |  | **Additional** | |  |  |  |  |  |
| **Preferred Stock** | | | |  |  | **Common Stock** | | |  |  |  | **Paid-in** | |  | **Accumulated** | |  |  |
| **Shares** | |  | **Amount** | |  | **Shares** | | **Amount** |  |  |  | **Capital** | |  | **Deficit** | |  | **Total** |
| 3,359,195 |  | $ | 2,784 |  |  | 18,614,905 |  | $ | 5 |  | $ | 7,794 |  | $ | (14,639) |  | $ | (6,840) |
| — | |  | — | |  | — | |  | — | |  | — | |  | (12,099) |  |  | (12,099) |
| — | |  | — | |  | 321,793 |  |  | — | |  | 148 |  |  | — | |  | 148 |
| — | |  | — | |  | — | |  | — | |  | 3,882 |  |  | — | |  | 3,882 |
| 3,359,195 |  | $ | 2,784 |  |  | 18,936,698 |  | $ | 5 |  | $ | 11,824 |  | $ | (26,738) |  | $ | (14,909) |



**Nine Months Ended September 30, 2020**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Convertible** | | | | |  |  |  |  |  |  |  | **Additional** | |  |  |  |  |  |
|  | **Preferred Stock** | | | |  |  | **Common Stock** | | |  |  |  | **Paid-in** | |  | **Accumulated** | |  |  |
|  | **Shares** | |  | **Amount** | |  | **Shares** | | **Amount** |  |  |  | **Capital** | |  | **Deficit** | |  | **Total** |
| **Balance as of December 31, 2019** | 3,359,195 |  | $ | 2,784 |  |  | 18,596,772 |  | $ | 5 |  | $ | 5,684 |  | $ | (8,283) |  | $ | (2,594) |
| Net loss | — | |  | — | |  | — | |  | — | |  | — | |  | (3,205) |  |  | (3,205) |
| Adoption of new accounting standard |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (Topic 606) | — | |  | — | |  | — | |  | — | |  | — | |  | 267 |  |  | 267 |
| Issuance of common stock upon exercise |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| of stock options | — | |  | — | |  | 18,097 |  |  | — | |  | 19 |  |  | — | |  | 19 |
| Stock-based compensation | — | |  | — | |  | — | |  | — | |  | 1,373 |  |  | — | |  | 1,373 |
| **Balance as of September 30, 2020** | 3,359,195 |  | $ | 2,784 |  |  | 18,614,869 |  | $ | 5 |  | $ | 7,076 |  | $ | (11,221) |  | $ | (4,140) |

*See accompanying notes, which are an integral part of these condensed financial statements.*

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**BACKBLAZE, INC.**

**CONDENSED STATEMENTS OF CASH FLOWS**

**(in thousands)**

**(unaudited)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Nine Months Ended September 30,** | | | | |
|  | **2021** |  |  |  | **2020** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  |  |  |  |
| Net loss | $ | (12,099) |  | $ | (3,205) |
| Adjustments to reconcile net loss to net cash provided by operating activities: |  |  |  |  |  |
| Gain on extinguishment of Paycheck Protection Program (“PPP”) loan |  | (2,299) |  |  | — |
| Unrealized loss on SAFE |  | 359 |  |  | — |
| Depreciation and amortization |  | 12,041 |  |  | 9,111 |
| Stock-based compensation |  | 3,611 |  |  | 1,214 |
| Amortization of deferred contract costs |  | 579 |  |  | 489 |
| (Gain) loss on disposal of assets and other |  | (17) |  |  | 12 |
| Changes in operating assets and liabilities: |  |  |  |  |  |
| Accounts receivable |  | 94 |  |  | (11) |
| Prepaid expenses and other current assets |  | (1,985) |  |  | (1,546) |
| Other assets |  | (256) |  |  | 272 |
| Accounts payable |  | (258) |  |  | (449) |
| Accrued expenses and other current liabilities |  | 444 |  |  | 1,297 |
| Accrued VAT liability |  | 742 |  |  | 43 |
| Deferred revenue |  | 5,105 |  |  | 1,743 |
| Other long-term liabilities |  | (97) |  |  | 596 |
| Net cash provided by operating activities |  | 5,964 |  |  | 9,566 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |  |  |
| Proceeds from disposal of property and equipment |  | 17 |  |  | — |
| Purchases of property and equipment, net |  | (6,893) |  |  | (1,776) |
| Capitalized internal-use software costs |  | (3,013) |  |  | (2,163) |
| Net cash used in investing activities |  | (9,889) |  |  | (3,939) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |  |  |
| Principal payments on capital lease and lease financing obligations |  | (8,715) |  |  | (7,701) |
| Payments of deferred offering costs |  | (1,807) |  |  | — |
| Proceeds from PPP |  | — | |  | 2,272 |
| Proceeds from SAFE |  | 10,000 |  |  | — |
| Proceeds from lease financing |  | 2,907 |  |  | — |
| Proceeds from exercises of stock options |  | 148 |  |  | 19 |
| Net cash provided by (used in) financing activities |  | 2,533 |  |  | (5,410) |
| Net (decrease) increase in cash and cash equivalents |  | (1,392) |  |  | 217 |
| Cash and cash equivalents at beginning of period |  | 6,076 |  |  | 6,978 |
| Cash and cash equivalents at end of period | $ | 4,684 |  | $ | 7,195 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:** |  |  |  |  |  |
| Cash paid for interest | $ | 2,578 |  | $ | 1,955 |
| **SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES** |  |  |  |  |  |
| Stock-based compensation capitalized internal-use software | $ | 271 |  | $ | 159 |
| Equipment acquired through capital lease obligations | $ | 8,895 |  | $ | 20,538 |
| Accruals related to purchases of property and equipment | $ | 250 |  | $ | 4 |
| Extinguishment of PPP loan | $ | 2,299 |  | $ | — |

*See accompanying notes, which are an integral part of these condensed financial statements.*

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**BACKBLAZE, INC.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**Note 1. Organization and Description of Business**

***Description of Business***

Backblaze, Inc. (“Backblaze” or the “Company”) is a storage cloud platform, providing businesses and consumers with solutions to store and use their data. Backblaze provides these cloud services through purpose-built, web-scale software built on commodity hardware. Backblaze was incorporated in the state of Delaware on April 20, 2007 and is headquartered in San Mateo, California.

**Note 2. Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. Accordingly, they do not include all disclosures normally required in annual financial statements prepared in accordance with GAAP. Therefore, these unaudited condensed financial statements should be read in conjunction with the audited financial statements and notes included in the Company’s final prospectus dated November 10, 2021 and filed with the SEC pursuant to Rule 424(b)(4) on November 12, 2021 (“Final Prospectus”). In management’s opinion, these unaudited condensed financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the Company’s financial position as of September 30, 2021, results of operations for the three and nine months ended September 30, 2021 and 2020, cash flows for the nine months ended September 30, 2021 and 2020, and stockholders' deficit for the three and nine months ended September 30, 2021 and 2020. The results of operations for the three and nine months ended September 30, 2021 and 2020 are not necessarily indicative of the results to be expected for the full year or any other future interim or annual period.

***Stock Split***

During October 1, 2021, the Company effected a 3.6-for-1 stock split of its outstanding common stock and convertible preferred stock. Upon the effectiveness of the stock split, all issued and outstanding shares of common stock and convertible preferred stock and related per share amounts contained in the accompanying financial statements were retroactively revised to reflect this stock split for all periods presented. The par value of the authorized stock was not adjusted as a result of the stock split.

***Emerging Growth Company***

The Company is an emerging growth company (“EGC”), as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, EGCs can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an EGC or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. The Company expects to use the extended transition period for any other new or revised accounting standards during the period in which it remains an EGC.

***Segment Information***

The Company has a single operating and reportable segment. In reaching this conclusion, management considers the definition of the chief operating decision maker (“CODM”), how the business is defined by the CODM, the nature of the information provided to the CODM and how that information is used to make operating decisions, allocate resources and assess performance. The Company’s chief operating decision maker is its Chief Executive Officer, who reviews financial information presented on an aggregated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

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***Significant accounting policies***

The Company’s significant accounting policies are disclosed in the Company’s audited financial statements and related notes thereto included in the Final Prospectus. There have been no changes to these accounting policies.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Such estimates and assumptions include the costs to be capitalized as internal-use software and their useful life, the useful lives of other long-lived assets, impairment considerations for long-lived assets, expected lease term for capital leases, calculation of the refund liability, estimates related to variable consideration, valuation of the Company’s common stock and stock options and accounting for taxes, including estimates for sales tax and VAT liability, deferred tax assets, valuation allowance and uncertain tax positions. The Company bases its estimates on historical experience and on assumptions that management considers reasonable. Future actual results could differ materially from these estimates.

***Risks and Uncertainties***

*COVID-19*

The worldwide spread of coronavirus and its variants including delta and omicron (“COVID-19”) have created significant uncertainty in the global economy. There have been no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and as a result, the ultimate impact of COVID-19 and the extent to which COVID-19 continues to impact Backblaze’s business will depend on future developments, which are highly uncertain and difficult to predict.

While the full impact of the pandemic to the business remains unknown and Backblaze does not believe that its results of operations and financial condition have been materially adversely impacted as of the date of these financial statements, Backblaze also believes that the pandemic has had some impact on its business. The Company’s potential customers, customers, supply chain or partners may have experienced, or in the future could experience, downturns or uncertainty in their own business operations due to COVID-19, which may have affected or could affect purchasing and operating decisions. For example, although Backblaze believes its ability to retain customers has not been materially impacted by the pandemic, Backblaze also believes that the pandemic may have caused some customers to reduce their use of cloud storage with Backblaze or to delay increasing their use of Backblaze’s cloud storage offerings. In addition, the pandemic may have caused potential customers to delay their purchasing decisions or to store less data with Backblaze. The Company may experience customer losses due to customer bankruptcy or cessation of operations, or other factors. In addition, the Company’s supply chain may be disrupted, or it may be unable to obtain infrastructure and related equipment essential to its business on favorable terms or at all. The Company does not yet know the full extent of potential impacts on its business or operations or on the global economy as a whole, particularly if the COVID-19 pandemic continues and persists for an extended period of time. As of the date of these financial statements, the Company is not aware of any specific event or circumstance that would require it to update its estimates, judgments or the carrying value of its assets or liabilities.

***Concentrations***

*Credit risk.* Financial instruments that potentially subject the Company to credit risk primarily consist of cash, cash equivalents and accountsreceivable. The Company maintains its cash and cash equivalents with high-quality financial institutions with investment-grade ratings. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits. For accounts receivable, the Company is exposed to credit risk in the event of nonpayment by customers to the extent of the amount recorded on the condensed balance sheets.

*Vendors.* The Company acquires infrastructure equipment from third-party vendors. Vendors may have limited sources of equipment andsupplies which may expose the Company to potential supply and service disruptions that could harm the Company’s business. Two vendors represented in aggregate 31% of total cash disbursements during the year ended December 31, 2020, while three vendors represented 20% of the accounts payable balance as of December 31, 2020. Two vendors represented an aggregate 25% of total cash disbursements during the nine months ended September 30, 2021, while three vendors represented an aggregate 45% of the accounts payable balance as of September 30, 2021.

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*Revenue.* The Company derives substantially all of its revenue from the services operating on its Backblaze Storage Cloud platform: itsBackblaze B2 Cloud Storage (“Backblaze B2”) and Backblaze Computer Backup (“Computer Backup”) offerings. The potential for severe impact to the Company’s business could result if the Company was unable to operate its platform or serve customers through its platform for an extended period of time.

***Accounting Pronouncements Not Yet Adopted***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* *(Topic 842*), which requires the recognition of lease assets and lease liabilities arising from operating leases on the balance sheet. Subsequently, the FASBalso issued a series of amendments to this new lease standard that address the transition methods available and clarify the guidance for lessor costs and other aspects of the new lease standard. The Company will adopt the standard effective January 1, 2022 and expects to adopt using the modified retrospective transition method without restating comparative periods. The Company is currently evaluating the impact of the adoption of this guidance on its financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected, with further clarifications made more recently. For trade receivables, loans and other financial instruments, the Company will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. Credit losses relating to available-for-sale debt securities are required to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. This guidance is effective for the Company for its fiscal year beginning January 1, 2023 and interim periods within that fiscal year. The Company is currently evaluating the impact of the adoption of this guidance on its financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this new guidance. This new guidance is effective for the Company for its fiscal year beginning January 1, 2021 and interim periods within its fiscal year beginning January 1, 2022. Early adoption is permitted. The Company plans to adopt this guidance prospectively and does not expect the adoption of this guidance will have a material impact on its financial statements for the fiscal year ended December 31, 2021.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by eliminating some exceptions to the general approach in ASC 740, Income Taxes, in order to reduce cost and complexity of its application. This new guidance is effective for the Company for its fiscal year beginning January 1, 2022 and interim periods within its fiscal year beginning January 1, 2023. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this guidance on its financial statements.

**Note 3. Revenues**

***Deferred Contract Costs***

The Company’s amortization of deferred contract costs was $0.2 million and $0.6 million for the three and nine months ended September 30, 2021, respectively, and was $0.2 million and $0.5 million during the three and nine months ended September 30, 2020, respectively. The amount of capitalized contract costs was $0.4 million as of September 30, 2021 and December 31, 2020.

***Deferred Revenue***

Deferred revenue was $24.5 million and $19.4 million as of September 30, 2021 and December 31, 2020, respectively. Revenue recognized during the three months ended September 30, 2021 and 2020 was approximately $7.6 million and $6.8 million, respectively, and approximately $15.6 million and $13.8 million during the nine months ended September 30, 2021 and 2020, respectively, which was included in each deferred revenue balance at the beginning of each respective period. The Company’s deferred revenue as stated on the condensed balance sheets presented approximate its contract liability balance as of September 30, 2021 and December 31, 2020.

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***Disaggregation of Revenues***

The following table presents the Company’s revenues disaggregated by timing of revenue recognition (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended September 30,** | | | | | |  | **For the Nine Months Ended September 30,** | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2021** |  |  |  | **2020** |  |  | **2021** |  |  | **2020** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Consumption-based arrangements (B2 Cloud Storage) | $ | 5,977 |  | $ | 3,757 |  | $ | 16,026 |  | $ | 10,018 |
| Subscription-based arrangements (Computer Backup) |  | 11,163 |  |  | 9,894 |  |  | 32,219 |  |  | 28,696 |
| Physical Media |  | 180 |  |  | 166 |  |  | 537 |  |  | 482 |
| Total revenue | $ | 17,320 |  | $ | 13,817 |  | $ | 48,782 |  | $ | 39,196 |
|  |  |  |  |  |  |  |  |  |  |  |  |



The Company’s consumption-based arrangements are from its Backblaze B2 offering, and its subscription-based arrangements are from its Computer Backup offering. The Company’s management and CODM reviews revenue on the basis presented above.

Revenue by geographic area, based on the location of the Company’s customers, was as follows (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended September 30,** | | | | | |  | **For the Nine Months Ended September 30,** | | | |
|  | **2021** |  |  |  | **2020** |  |  | **2021** |  |  | **2020** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| United States | $ | 12,435 |  | $ | 9,960 |  | $ | 35,083 |  | $ | 28,469 |
| Other |  | 4,885 |  |  | 3,857 |  |  | 13,699 |  |  | 10,727 |
| Total | $ | 17,320 |  | $ | 13,817 |  | $ | 48,782 |  | $ | 39,196 |
|  |  |  |  |  |  |  |  |  |  |  |  |



**Note 4. Cash Equivalents**

The Company’s cash equivalents on its condensed balance sheets included money market funds with an amortized cost and estimated fair value of less than $0.1 million and $2.7 million as of September 30, 2021 and December 31, 2020, respectively. The Company had no debt or equity investment securities during the nine months ended September 30, 2021 and 2020.

**Note 5. Fair Value Measurements**

The following table presents the fair value hierarchy for the Company’s assets and liabilities measured at fair value on a recurring basis as of

September 30, 2021 and as of December 31, 2020 (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Level 1** | | |  |  |  | **Level 2** | | |  |  |  | **Level 3** | | |  |
|  |  |  | **September 30,** | |  | **December 31,** |  |  | **September 30,** | |  | **December 31,** |  |  | **September 30,** | |  | **December 31,** |
|  |  |  | **2021** |  |  | **2020** |  |  | **2021** |  |  | **2020** |  |  | **2021** |  |  | **2020** |
| **Assets** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash equivalents: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Money market funds | | $ | 44 |  | $ | 2,651 |  | $ | — | | $ | — | | $ | — | | $ | — |
| Total | | $ | 44 |  | $ | 2,651 |  | $ | — |  | $ | — |  | $ | — |  | $ | — |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Liabilities** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| SAFE notes | | $ | — | | $ | — | | $ | — | | $ | — | | $ | 10,359 |  | $ | — |
| Total |  | $ | — |  | $ | — |  | $ | — |  | $ | — |  | $ | 10,359 |  | $ | — |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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Fair values determined by Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets. Level 3 instruments are characterized by unobservable inputs that are supported by little or no market activity, which require management judgment or estimation. The fair value of the SAFE notes was determined as of September 30, 2021 using unobservable inputs. In valuing the SAFE notes, the Company used a Monte Carlo simulation to forecast a range of probability-weighted settlement paths in combination with income, market, and cost-based valuation approaches. The settlement paths used probabilities ranging from 5% to 65%. The Company used a discount rate of approximately 30% to adjust the probability-weighted settlement paths to their present value. An increase in the discount rate would decrease the fair value of the instrument, and an increase in probabilities of certain settlement paths would increase the fair value of the instrument.

The following table summarizes the total carrying value of the Company’s Level 3 instruments held as of September 30, 2021 including cumulative unrealized gains and losses recognized during the nine months ended September 30, 2021 (in thousands):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Nine Months Ended September 30,** | | | |  |
|  |  |  | **2021** | | |  |  |
| Beginning balance as of December 31, 2020 | $ | |  |  |  | — |  |
| Sale of SAFE notes |  |  |  |  |  | 10,000 |  |
| Total unrealized loss |  |  |  |  |  | 359 |  |
| Ending balance as of September 30, 2021 | $ | |  |  |  | 10,359 |  |
| **Note 6. Prepaid Expenses and Other Current Assets** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Prepaid expenses and other current assets consisted of the following (in thousands): |  |  |  |  |  |  |  |
|  |  |  | **September 30,** | |  | **December 31,** |  |
|  |  |  | **2021** |  |  | **2020** |  |
| Unbilled accounts receivable | $ | | 1,150 |  | $ | 841 |  |
| Prepaid expenses |  |  | 633 |  |  | 643 |  |
| Prepaid subscriptions |  |  | 547 |  |  | 276 |  |
| Capitalized commissions |  |  | 343 |  |  | 315 |  |
| Receivable from payment processor |  |  | 468 |  |  | 268 |  |
| Prepaid flash drives |  |  | 347 |  |  | — |  |
| Prepaid data migration fees |  |  | 103 |  |  | 71 |  |
| Deposits |  |  | 179 |  |  | 19 |  |
| Other |  |  | 234 |  |  | 514 |  |
| Total prepaid expenses and other current assets |  | $ | 4,004 |  | $ | 2,947 |  |
| **Note 7. Property and Equipment, Net** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Property and equipment, net consisted of the following (in thousands): |  |  |  |  |  |  |  |
|  |  |  | **September 30,** | |  | **December 31,** |  |
|  |  |  | **2021** |  |  | **2020** |  |
| Data center equipment | $ | | 11,053 |  | $ | 10,538 |  |
| Leased data center equipment |  |  | 58,826 |  |  | 51,852 |  |
| Machinery and equipment |  |  | 7,055 |  |  | 4,369 |  |
| Computer equipment |  |  | 1,496 |  |  | 1,176 |  |
| Leasehold improvements |  |  | 900 |  |  | 876 |  |
| Construction-in-process |  |  | 167 |  |  | 2,358 |  |
| Total property and equipment |  |  | 79,497 |  |  | 71,169 |  |
| Less: accumulated depreciation |  |  | (39,102) |  |  | (32,423) |  |
| Total property and equipment, net |  | $ | 40,395 |  | $ | 38,746 |  |
|  |  |  |  |  |  |  |  |

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Depreciation expense was $3.6 million and $10.8 million for the three and nine months ended September 30, 2021, respectively, and $3.0 million and $8.2 million for three and nine months ended September 30, 2020, respectively.

**Note 8. Capitalized Internal-use Software, Net**

Capitalized internal-use software, net consisted of the following (in thousands):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **September 30,** | |  | **December 31,** |
|  |  | **2021** |  |  | **2020** |
| Developed software | $ | 11,476 |  | $ | 8,593 |
| Software purchased for internal-use |  | 870 |  |  | 466 |
| Total capitalized internal-use software |  | 12,346 |  |  | 9,059 |
| Less: accumulated amortization |  | (4,627) |  |  | (3,377) |
| Total capitalized internal-use software, net | $ | 7,719 |  | $ | 5,682 |

Amortization expense of capitalized internal-use software was $0.4 million and $1.2 million for the three and nine months ended September 30, 2021, respectively, and was $0.3 million and $0.9 million for the three and nine months ended September 30, 2020, respectively. Amortization of developed software and software purchased for internal use are included in cost of revenue and general and administrative expense, respectively, in the Company’s statements of operations. As of September 30, 2021, future amortization expense is expected to be as follows (in thousands):

**Year Ending December 31,**



|  |  |  |
| --- | --- | --- |
| Remainder of 2021 | $ | 500 |
| 2022 |  | 1,998 |
| 2023 |  | 1,833 |
| 2024 |  | 1,569 |
| 2025 |  | 1,102 |
| Thereafter |  | 717 |
| Total | $ | 7,719 |
|  |  |  |

**Note 9. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following (in thousands):

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **September 30,** | |  | **December 31,** |
|  |  |  | **2021** |  |  | **2020** |
| Accrued compensation | | $ | 1,125 |  | $ | 1,295 |
| Accrued expenses | |  | 1,488 |  |  | 1,284 |
| Accrued sales tax |  |  | 977 |  |  | 598 |
| Accrued income tax | |  | 141 |  |  | 5 |
| Other | |  | 358 |  |  | 414 |
| Accrued expenses and other current liabilities | | $ | 4,089 |  | $ | 3,596 |
|  |  |  |  |  |  |  |

**Note 10. Commitments and Contingencies**

***Capital Leases***

The Company enters into capital lease arrangements to obtain hard drives and related equipment for its data center operations. The term of these agreements primarily range from three to four years and certain of these arrangements have optional renewals. Contingent rental payments are generally not included in the Company’s lease agreements. The leases are generally secured by the underlying leased equipment.

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For the Company’s assets acquired through capital lease agreements, depreciation expense was $3.0 million and $8.9 million for the three and nine months ended September 30, 2021, respectively, and was $2.1 million and $6.4 million for the three and nine months ended September 30, 2020, respectively. Depreciation expense on the Company’s capital leases is included in cost of revenue in its statements of operations. There have been no material changes to the Company’s capital lease commitments during the nine months ended September 30, 2021.

During the nine months ended September 30, 2021, the Company entered into two sale-leaseback arrangements with vendors to provide approximately $2.9 million in cash proceeds for previously purchased hard drives and related equipment. The Company concluded the related lease arrangements would be classified as lease financing obligations as it has the option to repurchase the assets at their fair value at a future date. Therefore, the transaction was deemed a failed sale-leaseback and was accounted for as a financing arrangement. The assets continue to be depreciated over their useful lives, and payments are allocated between interest expense and repayment of the financing liability. As of September 30, 2021, the future minimum payments related to the lease agreements consisted of the following (in thousands):

**Year Ending December 31,**



|  |  |  |
| --- | --- | --- |
| Remainder of 2021 | $ | 212 |
| 2022 |  | 848 |
| 2023 |  | 848 |
| 2024 |  | 840 |
| 2025 |  | 387 |
| Thereafter |  | — |
| Total | $ | 3,135 |
|  |  |  |

***Operating Leases***

The Company leases its facilities for data centers and office space under non-cancelable operating leases with various expiration dates. Certain lease agreements include options to renew or terminate the lease, which are not reasonably certain to be exercised and therefore are not factored into the determination of lease payments. Contingent rental payments are generally not included in the Company’s lease agreements.

There have been no material changes to the Company’s operating lease commitments during the nine months ended September 30, 2021.

Rental expense related to the Company’s operating leases was approximately $1.9 million and $5.1 million for the three and nine months ended September 30, 2021, respectively, and was $1.5 million and $3.9 million during the three and nine months ended September 30, 2020, respectively. Rental expense related to the Company’s operating leases is primarily included in cost of revenue in its condensed statements of operations.

***Other Contractual Commitments***

Other non-cancellable commitments relate mainly to infrastructure agreements used to facilitate the Company’s operations. As of September 30, 2021, the Company had non-cancelable purchase commitments of $0.6 million and $0.3 million payable during the years ending December 31, 2021 and 2022, respectively.

***401(k) Plan***

The Company sponsors a 401(k) defined contribution plan covering all eligible U.S. employees. Contributions to the 401(k) plan are discretionary. The Company expensed $0.3 million and $0.8 million during the three and nine months ended September 30, 2021, respectively, and $0.2 million and $0.5 million during the three and nine months ended September 30, 2020, respectively, related to its 401(k) plan contributions.

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***Legal Matters***

The Company is involved from time to time in various claims and legal actions arising in the ordinary course of business. While it is not feasible to predict or determine the ultimate outcome of these matters, the Company believes that none of its current legal proceedings will have a material adverse effect on its financial position, results of operations or cash flows. However, the results of legal proceedings are inherently unpredictable and if an unfavorable ruling were to occur in any of the current legal proceedings, there exists the possibility of a material adverse effect on the Company’s financial position, results of operations and cash flows.

***Sales Tax***

The Company undertook an analysis of its sales tax exposure based on the South Dakota vs. Wayfair case whereby the U.S. Supreme Court determined that physical presence was not required to determine the potential exposure a company has for sales tax purposes. Based on the Company’s analysis, its total accrual for sales tax payable was $1.0 million and $0.6 million as of September 30, 2021 and December 31, 2020, respectively, which includes estimated amounts for penalties and interest.

***Accrued VAT Liability***

The Company has calculated a liability for uncollected and unpaid VAT, which is generally assessed by various taxing authorities on services the Company provides to its customers. The Company accrues an amount that it considers probable to be collected and can be reasonably estimated. Based on the Company’s analysis, its total accrual for VAT tax payable was $2.3 million and $1.5 million as of September 30, 2021 and December 31, 2020, respectively, which includes estimated amounts for penalties and interest.

***Indemnification***

The Company enters into indemnification provisions under agreements with other parties from time to time in the ordinary course of business. The Company has agreed in certain circumstances to indemnify and defend the indemnified party for claims and related losses suffered or incurred by the indemnified party from third-party claims due to the Company’s activities or non-compliance with certain representations and warranties made by the Company. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company’s limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. No losses have been recorded in the condensed statements of operations in connection with the indemnification provisions.

**Note 11. Debt**

***Credit Facility***

On October 11, 2017, the Company entered into a $15.0 million revolving credit agreement with HomeStreet Bank. Under this agreement, amounts available to be borrowed are based on the lesser of $15.0 million or the Company’s trailing four month’s monthly recurring revenue multiplied by a retention rate as defined in the agreement. Advances on the line of credit bear interest payable monthly at the Wall Street Journal prime rate plus 0.25%. Borrowings are secured by substantially all of the Company’s assets, with limited exceptions. As of December 31, 2020, the Company was in compliance with covenants under the agreement.

During April 2021, the Company amended its revolving credit agreement. Under this amendment, among other things, (i) amounts available to be borrowed are based on the lesser of $10.0 million or the Company’s trailing four months monthly recurring revenue multiplied by a retention rate set forth in the amendment and (ii) advances on the line of credit bear interest payable monthly at the Wall Street Journal prime rate plus 1.00%. The revolving credit agreement, as amended, matures on June 1, 2022. As of September 30, 2021, no amounts were outstanding and the Company was in compliance with covenants under the agreement. During October 2021, in connection with entering into a revolving credit agreement with City National Bank, the Company subsequently terminated its agreement with HomeStreet Bank. See Note 16 *Subsequent Events*.

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***Paycheck Protection Program***

On April 22, 2020, the Company received approximately $2.3 million in funding through the U.S. Small Business Administration’s Paycheck Protection Program that was part of the CARES Act that was signed into law in March 2020. The interest rate on the loan was 1.00% per year and matured on April 2022. The note was payable in monthly installments of principal and interest, beginning in August 2021. The note was able to be repaid at any time with no payment penalty. The application for these funds required the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company.

An application to forgive the entire amount was submitted with the lender in July 2020. Any request for forgiveness is subject to review and approval by the lender and the SBA. Further, the SBA has stated that all PPP loans in excess of $2.0 million, and other PPP loans as appropriate, will be subject to review by the SBA for compliance with program requirements. If the SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request or the subsequent use of loan proceeds, the SBA will seek repayment of the PPP loan, including interest and potential penalties.

The Company recognized the entire loan amount as a financial liability, with interest accrued and expensed over the term of the loan.

In June 2021, the Company received notification from the SBA that the Company’s forgiveness application of the PPP loan and accrued interest, totaling $2.3 million, was approved in full, and the Company has no further obligations related to the PPP loan. Accordingly, the Company recorded the forgiveness of the PPP loan as gain on extinguishment of debt on its statement of operations. While the Company believes its loan was properly obtained and forgiven, there can be no assurance regarding the outcome of an SBA review. The Company has not been informed that a review will occur and has not accrued any liability associated with the risk of an adverse SBA review.

***Convertible notes and related party transactions***

During August 2021, the Company issued investors convertible notes (the “Security”) in the amount of $10.0 million. The Security is classified as a Simple Agreement for Future Equity agreement (“SAFE”). The convertible notes are automatically convertible into shares of the Company’s Class A common stock upon the completion of an initial public offering (or other liquidity event if sooner) at a discounted price to the value of its common stock at the time of such event. The discount shall initially be equal to 10% and shall increase by an additional 10% annually following the effective date, subject to a maximum discount of 50%. The discount shall be adjusted pro-rata on a monthly basis, increasing on the monthly anniversary of the effective date of the agreement. Interest shall accrue at the simple rate of 5% per annum of the outstanding amount commencing upon the effective date of the agreement and continuing until the outstanding principal amount has been paid in full or converted. The accrued interest shall be added to the purchased amount upon conversion into equity. If there is a change of control event, these SAFEs will automatically convert into the securities offered in connection with such change of control event.

The Company determined that the SAFE notes should be classified as a liability based on evaluating the characteristics of the instrument, which contained both debt and equity-like features. As such, the Company has recorded the carrying value of the SAFE notes and the associated accrued interest as a current liability on its balance sheet as of September 30, 2021. As the SAFE notes were deemed to be a liability, the Company conducted a valuation of the SAFE notes liability as of September 30, 2021, which resulted in an unrealized loss of $0.4 million that the Company recorded in its condensed statement of operations.

Furthermore, $2 million of the SAFE notes were purchased by TMT Investments PLC, a beneficial holder of more than 5% of the Company’s capital stock, and were deemed to be a related party transaction.

**Note 12. Stockholders’ Deficit**

*Common Stock.* The Company has one class of common stock. The common stock is entitled to one vote per share. Holders of common stockare entitled to receive any dividends as may be declared from time to time by the Board of Directors. Common stock is subordinate to the convertible preferred stock with respect to dividend rights and rights upon certain deemed liquidation events.

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The Company had reserved shares of common stock for future issuance as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **September 30,** | | **December 31,** |
|  | **2021** |  | **2020** |
| Convertible preferred stock | 3,359,195 |  | 3,359,195 |
| 2011 Equity Incentive Plan |  |  |  |
| Options outstanding | 13,818,295 |  | 11,409,736 |
| Shares available for future grants | 114,987 |  | 865,339 |
| Total | 17,292,477 |  | 15,634,270 |
|  |  |  |  |

*Equity Incentive Plan.* In 2011, the Company’s Board approved the adoption of the 2011 Stock Plan (the “Plan”). The Plan provides for the grantof stock-based awards to employees, non-employee directors and other service providers of the Company. During May 2019, the Company’s Board approved an increase to the number of authorized shares under the Plan by 1,800,000. Following the increase, the Plan had 9,720,000 shares authorized as of December 31, 2019. During April 2020, the Company’s Board approved an increase to the number of authorized shares under the Plan by 2,700,000. Following the increase, the Plan had 12,420,000 shares authorized as of December 31, 2020. During March 2021, the Company’s Board approved an increase to the number of authorized shares under the Plan by 1,800,000. Following the increase, the Plan had 14,220,000 shares authorized. During August 2021, the Company’s Board approved an increase to the number of authorized shares under the 2011 Stock Plan by 180,000. Following the increase, the 2011 Stock Plan had 14,400,000 shares authorized as of September 30, 2021.

*Stock Options.* Stock options granted under the Plan generally vest based on continued service over four years and expire ten years from the

date of grant.

A summary of stock option activity under the Plan and related information is as follows (in thousands, except share, price and year data):

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Weighted-** | | **Weighted-** | |  |  |  |
|  | **Shares** | | **Outstanding** |  |  | **average** | |  | **Aggregate** |  |
|  |  |  | **average** | | **remaining** | |  |  |
|  | **available for** | | **Stock** |  |  | **exercise** | | **contractual** | |  | **intrinsic** |  |
|  | **grant** |  | **Options** |  |  | **Price** |  | **life (years)** |  |  | **value** |  |
| **Balance as of December 31, 2020** | 865,339 |  | 11,409,736 | $ | | 2.27 |  | 6.52 |  | $ | 36,889 |  |
| Shares authorized |  |  |  |  |  |  |  |  |  |  |  |  |
| 1,980,000 |  |  |  |  |  |  |  |  |  |  |  |
| Granted | (2,994,120) |  | 2,994,120 |  |  | 7.16 |  |  |  |  |  |  |
| Exercised | — | | (321,793) |  |  | 0.61 |  |  |  |  |  |  |
| Cancelled | 263,768 |  | (263,768) |  |  | 3.54 |  |  |  |  |  |  |
| **Balance as of September 30, 2021** | 114,987 |  | 13,818,295 | $ | | 3.35 |  | 6.69 |  | $ | 169,042 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Vested and exercisable as of September 30, 2021** |  |  | 8,110,364 | $ | | 2.05 |  | 4.97 |  | $ | 109,769 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

The weighted-average grant-date fair value of options granted was $5.39 and $1.84 during the nine months ended September 30, 2021 and 2020, respectively. The intrinsic value of options exercised for the nine months ended September 30, 2021 and 2020 was $4.8 million and less than $0.1

million, respectively. The aggregate grant-date fair value of options vested was $2.5 million and $1.1 million during the nine months ended September 30, 2021 and 2020, respectively. Aggregate intrinsic value represents the difference between the exercise price of the options and the estimated fair value of the Company’s common stock.

In June 2021, the Company issued full-recourse promissory notes to four employees of the Company for an aggregate principal amount of $48 thousand with an interest rate of 0.13% per annum. All of the principal was used to exercise options for 234,526 shares of the Company’s common stock. As of September 30, 2021, the Company has accounted for the notes as a deduction from stockholders’ deficit. Following the Company’s initial public offering (“IPO”), these notes matured in November 2021, in connection with the sale of the underlying shares by these employees.

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**Note 13. Stock-Based Compensation**

The following table summarizes the Black-Scholes option pricing model weighted-average assumptions used in estimating the fair value of stock options granted to employees during the three months ended September 30, 2021, and during the nine months ended September 30, 2021 and 2020. No options grants were made during the three months ended September 30, 2020.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended September 30,** | |  |  | **Nine Months Ended September 30,** | |
|  | **2021** | **2020** |  |  | **2021** | **2020** |
| Expected term (in years) | | 6.0 | — | | 6.0 | 6.0 |
| Expected volatility | | 48.8 % | — % | | 49.1 % | 48.5 % |
| Risk-free interest rate | | 0.93 % | — % | | 1.05 % | 0.41 % |

*Expected term.* For stock options considered to be “plain vanilla” options, the Company estimates the expected term based on the simplifiedmethod, which is essentially the weighted average of the vesting period and contractual term, as the Company’s historical share option exercise experience does not provide a reasonable basis upon which to estimate the expected term.

*Expected volatility.* The Company performed an analysis using the average volatility of a peer group of representative public companies withsufficient trading history over the expected term to develop an expected volatility assumption.

*Risk-free interest rate.* Based upon quoted market yields for the United States Treasury debt securities for a term consistent with the expectedlife of the awards in effect at the time of grant.

*Expected dividend yield.* Because the Company has never paid and has no intention to pay cash dividends on common stock, the expecteddividend yield is zero.

*Fair value of underlying common stock.* As of September 30, 2021, the Company’s common stock is not yet publicly traded, therefore, theCompany must estimate the fair value of common stock. The Board considers numerous objective and subjective factors to determine the fair value of the Company’s common stock at each meeting in which awards are approved. The factors considered include, but are not limited to: (i) the results of contemporaneous independent third-party valuations of the Company’s common stock; (ii) the prices, rights, preferences, and privileges of the Company’s convertible preferred stock relative to those of its common stock; (iii) the lack of marketability of the Company’s common stock; (iv) actual operating and financial results; (v) current business conditions and projections; (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions; and (vii) precedent transactions involving the Company’s shares.

Stock-based compensation expense included in the condensed statements of operations was as follows (in thousands):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended September 30,** | | | | | |  | **For the Nine Months Ended September 30,** | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2021** |  |  |  | **2020** |  |  | **2021** |  |  | **2020** |
| Cost of revenue | $ | 139 |  | $ | 34 |  | $ | 333 |  | $ | 57 |
| Research and development |  | 466 |  |  | 195 |  |  | 1,377 |  |  | 536 |
| Sales and marketing |  | 489 |  |  | 137 |  |  | 1,057 |  |  | 386 |
| General and administrative |  | 354 |  |  | 105 |  |  | 844 |  |  | 235 |
| Total stock-based compensation expense | $ | 1,448 |  | $ | 471 |  | $ | 3,611 |  | $ | 1,214 |
|  |  |  |  |  |  |  |  |  |  |  |  |

During the nine months ended September 30, 2021 and 2020, the Company capitalized $0.3 million and $0.2 million, respectively, of stock-based compensation for the development of internal-use software. As of September 30, 2021, total compensation cost related to stock options not yet vested was approximately $20.0 million, which will be recognized over a weighted-average period of approximately 3.0 years.

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**Note 14. Net Loss per Share Attributable to Common Stockholders**

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. The Company considers its convertible preferred stock to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the convertible preferred stock as the holders of these participating securities do not have a contractual obligation to share in the losses of the Company.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The diluted net loss per share attributable to common stockholders is computed by giving effect to all potentially dilutive common stock equivalents during the period. For purposes of this calculation, the Company’s convertible preferred stock and stock options are considered to be potential common stock equivalents, but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is antidilutive.

The following table presents the calculation of basic and diluted net loss per share (in thousands, except share and per share data):

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **For the Three Months Ended September 30,** | | | | |  | **For the Nine Months Ended September 30,** | | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **2021** |  |  | **2020** |  |  | **2021** |  |  | **2020** |  |
| Numerator: |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss attributable to common stockholders | $ | (5,993) |  | $ | (1,860) |  | $ | (12,099) |  | $ | (3,205) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Denominator for basic and diluted net loss per share: |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted-average shares used in computing net loss per share |  | 18,936,698 |  |  | 18,614,869 |  |  | 18,775,908 |  |  | 18,607,705 |  |
| attributable to common stockholders – basic and diluted |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss per share attributable to common stockholders – basic and | $ | (0.32) |  | $ | (0.10) |  | $ | (0.64) |  | $ | (0.17) |  |
| diluted |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

Since the Company was in a loss position for all periods presented, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common shares outstanding would have been antidilutive. The potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **September 30,** | | |  |
|  |  |  |  |  |
|  | **2021** |  |  | **2020** |
| Convertible preferred stock | 3,359,195 |  |  | 3,359,195 |
| Stock options | 13,818,295 |  |  | 9,931,942 |
| Total | 17,177,490 |  |  | 13,291,137 |
|  |  |  |  |  |

**Note 15. Income Taxes**

The Company is subject to U.S. federal and state income taxes as a corporation. The Company’s tax provision and the resulting effective tax rate for interim periods is determined based upon its estimated annual effective tax rate adjusted for the effect of discrete items arising in that quarter.

The effective tax rate for the three and nine months ended September 30, 2021 and 2020 was zero as the Company has incurred continuous operating losses. The Company recorded a $0.1 million provision for income taxes during the nine months ended September 30, 2021, which includes an immaterial out of period correction of $0.2 million relating to the limitation of the net operating loss (“NOLs”) as of December 31, 2020. The charge represents the limitation on post-2017 federal NOLs which are limited to 80% beginning in years after December 31, 2020.

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Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the financial reporting and tax basis of assets and liabilities using statutory rates. A valuation allowance is recorded against deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. Due to the uncertainty surrounding the realization of the favorable tax attributes in future tax returns, we have recorded a full valuation allowance against our otherwise recognizable net deferred tax assets

**Note 16. Subsequent Events**

Since September 30, 2021, the Company has entered into various capital lease agreements for acquiring infrastructure equipment to operate its core business. The Company’s future minimum commitment under these agreements total approximately $4.9 million and extend through 2024.

During October 2021, the Company entered into a revolving credit agreement with City National Bank. Under this agreement, among other things, (i) amounts available to be borrowed are $9.5 million and (ii) advances on the line of credit bear interest payable monthly at the average Secured Overnight Financing Rate (“SOFR”) rate plus 2.75%. The revolving credit agreement matures in September 2024. In connection with this agreement, the Company fully repaid and subsequently terminated its 2017 revolving credit agreement with HomeStreet Bank.

On November 15, 2021, the Company had its first closing for its IPO, in which the Company issued and sold 6,250,000 shares of its Class A common stock at a public offering price of $16.00 per share. On November 17, 2021, the Company had its second closing for its initial public offering, in which the Company issued and sold 937,500 shares at the same per-share price pursuant to the exercise by the underwriters of their option to purchase such shares from the Company for the purpose of covering over-allotments. Together, these two closings resulted in net proceeds of approximately $103 million after deducting the underwriting discounts and commissions and offering expenses. In connection with the IPO and with the filing of the Company’s Amended and Restated Certificate of Incorporation in Delaware and the adoption of its Amended and Restated Bylaws, the following occurred: (i) the reclassification of all outstanding shares of the Company’s common stock into an equivalent number of shares of its Class B common stock, (ii) all shares of the convertible preferred stock then outstanding automatically converted into 3,359,195 shares of Class B common stock and (iii) all outstanding shares of the Company’s common stock converted into an equivalent number of shares of its Class B common stock and (iv) the SAFE notes automatically converted into approximately 725,000 shares of Class A common stock. Further, this new dual class structure of the Company’s common stock has the effect of concentrating voting control with those stockholders who held capital stock prior to the completion of this IPO, as Class B common stock has 10 votes per share, and Class A common stock has one vote per share.

Prior to the IPO, deferred offering costs, which consist of direct incremental legal, accounting and consulting fees relating to the IPO, were capitalized. Upon the consummation of the IPO, the deferred offering costs were reclassified into stockholders’ equity as an offset against IPO proceeds. As of September 30, 2021, deferred offering costs capitalized were approximately $2.4 million, and are included in other assets on the Company’s condensed balance sheets.

During December 2021, the Company issued approximately 1,450,000 stock options with service-based vesting conditions to certain employees.

The service-based vesting condition for these awards is satisfied over four years with a cliff vesting period of one year and continued vesting thereafter.

The Company expects to recognize approximately $14 million in stock-based compensation on a straight-line basis over the vesting period of these awards.

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**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2020 included in the Final Prospectus for our initial public offering (IPO) dated as of November 10, 2021 and filed with the Securities and Exchange Commission (SEC), pursuant to Rule 424(b)(4) on November 12, 2021 (Prospectus). This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note About Forward-Looking Statements" in this Quarterly Report on Form 10-Q. You should review the disclosure under the heading "Risk Factors" in this Quarterly Report on Form 10-Q for a discussion of important factors that could cause our actual results to differ materially from those described or implied in these forward-looking statements. Our historical results are not necessarily indicative of the results that may be expected for any period in the future. Unless the context otherwise requires, all references in this report to "Backblaze," the “Company”, "we," "our," "us," or similar terms refer to Backblaze, Inc.*

**Overview**

We are a leading storage cloud platform, providing businesses and consumers cloud services to store, use, and protect their data in an easy and affordable manner. We provide these cloud services through a purpose-built, web-scale software infrastructure built on commodity hardware. Our customers use our Storage Cloud platform across more than 175 countries to grow and protect their business data on our approximately 2 exabytes, or 2 trillion megabytes, of data storage under management.

Through our purpose-built software, our Backblaze Storage Cloud provides a platform that is durable, scalable, performant, and secure. This platform is the foundation for our Backblaze B2 Cloud Storage Infrastructure-as-a-Service (IaaS) consumption-based offering and our Backblaze Computer Backup Software-as-a-Service (SaaS) subscription-based offering. Backblaze B2 enables customers to store data, developers to build applications, and partners to expand their use cases. The amount of data stored in this cloud service can scale up and down as needed on a pay-as-you-go basis. Backblaze Computer Backup automatically backs up data from laptops and desktops for businesses and individuals. This cloud backup service offers easily understood flat-rate pricing to continuously back up a virtually unlimited amount of data.

We have maintained our per-gigabyte B2 Cloud Storage pricing for five years, and we announced price increases to our unlimited subscription Computer Backup pricing in February 2019 and July 2021 with no material impact on customer retention.

Substantially all of our revenue is recurring in nature. We employ a land-and-expand model that drives additional revenue from existing customers. As customers generate, store, and back up more data, their use of our platform increases, creating natural opportunities for revenue expansion. We are able to further expand our relationships with our customers when they adopt new features and use cases that lead to increased usage of our platform.

***Initial Public Offering***

On November 15, 2021, our IPO had its first closing, in which we issued and sold 6,250,000 shares of our Class A common stock at a public offering price of $16.00 per share. On November 17, 2021, our IPO had its second closing, in which we issued and sold 937,500 additional shares at the same per-share price pursuant to the exercise by the underwriters of their option to purchase such shares from us for the purpose of covering over-allotments. Together, these two closings resulted in net proceeds of approximately $103 million after deducting the underwriting discounts and commissions and offering expenses. In connection with the IPO and with the filing of our Amended and Restated Certificate of Incorporation in Delaware and the adoption of our Amended and Restated Bylaws, the following occurred, (i) the reclassification of all outstanding shares of our common stock into an equivalent number of shares of our Class B common stock, (ii) all shares of the convertible preferred stock then outstanding automatically converted into 3,359,195 shares of Class B common stock and (iii) all outstanding shares of our common stock into an equivalent number of shares of our Class B common stock and (iv) the SAFE notes automatically converted into approximately 725,000 shares of Class A common stock.

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**Factors Affecting Our Performance**

We believe that the future growth and performance of our business will depend on several factors, including the following:

***Scale Self Service Customer Acquisition***

Our business depends, in part, on our ability to add new customers. We believe there is a significant opportunity to further grow our customer base by continuing to make investments in sales and marketing. We will continue investing in our customer acquisition and inbound demand generation activities, which is driven predominantly by our blog content, our case studies, social sharing, earned media, and our self-serve sign up model. We intend to leverage this model as an efficient approach to attract new customers, turning them into brand advocates, partners, and more referrals. Furthermore, we plan to continue to build and scale our paid lead generation and outbound sales motion to increasingly grow in the mid-market.

We also plan to continue to build our ecosystem of partners. We believe that delivering our Storage Cloud solutions through our alliance, developer, and MSP partnerships is an area of opportunity for us. By adding more partners and deepening our relationships with them, we expand our use cases and drive new customer acquisition.

***Scale Sales-Assisted Efforts***

We believe an increasingly important complement to our self-serve customer acquisition model is our targeted inside Sales team that is focused on a low-touch “sales-assisted” model that supports our larger customers if the need arises. This team focuses on inbound inquiries, outbound prospecting targeting specific use cases, and volume expansion of our self-serve customers.

***Expansion Within Existing Customers***

Our future success will depend, in part, on our ability to increase usage and adoption of our solutions with existing customers. We intend to increase revenue from existing customer relationships through the development of additional features and use cases, expanding our Customer Success initiatives, and natural customer data growth. We have developed add-on services, such as Extended Version History and multi-region selection, which customers pay for on top of existing offerings. Examples of expanding use cases include utilizing Backblaze for additional purposes such as media storage, hybrid cloud support, analytics repositories, and others. We also plan to grow our Customer Success initiatives to ensure customers avail themselves of the full benefits of our platform, thus resulting in increased adoption. As these customers continue to generate, store, and back up data, their use of our platform increases, creating natural opportunities for revenue expansion.

***Continued Platform Investment and New Product Launches***

We are committed to delivering market-leading products that continue to make cloud storage and backup easy. We believe we must maintain our product quality and strength of our brand in order to retain the current customer base as well as drive further revenue growth in our business. We intend to continue investing in our research and development activities to build upon our strong position in the technology community. We have a history of introducing successful new features and capabilities for our products, and we intend to continue investing heavily to grow our business to take advantage of our expansive market opportunity. We also expect to launch new products that are adjacent to our current offerings, which will provide us with the ability to further cross-sell and upsell.

***Investments for Continued Scaling***

We are focused on our long-term revenue potential and building out our infrastructure to sustain that growth. On a routine basis, we will focus resources on optimizing the efficiency of our data storage. In some scenarios, we will choose to pass on potential cost savings to the customer, but in other scenarios we will choose to reinvest cost savings back into infrastructure and design.

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***International Expansion***

While our sales and marketing efforts have primarily focused on the United States, our existing customer base spans more than 175 countries, with 28% of our revenue originating outside of the United States for the year ended December 31, 2020. We believe international expansion represents a meaningful opportunity to generate further demand for our solutions in international geographies. We plan to invest in our operations internationally to reach new customers by expanding in targeted key geographies where we believe there are opportunities for significant return on investment.

**Key Business Metrics**

We monitor the key business metrics set forth below to help us evaluate our business and growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. The calculation of the key metrics discussed below may differ from other similarly titled metrics used by other companies, securities analysts, or investors.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **As of September 30,** | | | |  |  |  |
|  |  |  | **2021** |  |  |  |  |  | **2020** |  |  |
|  | **B2 Cloud** | | **Computer** | | **Total Company** | | **B2 Cloud** | | **Computer** | | **Total Company** |
|  | **Storage** | | **Backup** | |  |  | **Storage** | | **Backup** | |  |
| Net revenue retention rate | 129% |  | 103% |  | 110 % |  | 139% |  | 109% |  | 116 % |
| Gross customer retention rate | 92% |  | 91% |  | 91% |  | 92% |  | 90% |  | 90% |
| Annual recurring revenue (in millions) | $24.6 |  | $46.2 |  | $70.8 |  | $15.6 |  | $39.7 |  | $55.3 |

***Net Revenue Retention Rate***

We believe the growth in use of our platform by our existing customers is an important measure of the health of our business and our future growth prospects. We measure this growth by monitoring our overall net revenue retention rate, which measures our ability to retain and expand revenue from existing customers. We believe that we can drive this metric by continuing to focus on our customers and by adding additional products and functionality to our platform.

Our overall net revenue retention rate is a trailing four-quarter average of the recurring revenue from a cohort of customers in a quarter as compared to the same quarter in the prior year. We calculate our overall net revenue retention rate for a quarter by dividing (i) recurring revenue in the current quarter from any accounts that were active at the end of the same quarter of the prior year by (ii) recurring revenue in the current corresponding quarter from those same accounts. Our overall net revenue retention rate includes any expansion of revenue from existing customers and is net of revenue contraction and customer attrition, and excludes revenue from new customers in the current period. Our net revenue retention rate for Computer Backup and B2 Cloud Storage is calculated in the same manner as our overall net revenue retention rate based on the revenue from our Computer Backup and B2 Cloud Storage solutions, respectively.

***Gross Customer Retention Rate***

We use gross customer retention rate to measure our ability to retain our customers. Our gross customer retention rate reflects only customer losses and does not reflect the expansion or contraction of revenue we earn from our existing customers. We believe our high gross customer retention rates demonstrate that we serve a vital service to our customers, as the vast majority of our customers tend to continue to use our platform from one period to the next. To calculate our gross customer retention rate, we take the trailing four-quarter average of the percentage of cohort of customers who were active at the end of the quarter in the prior year that are still active at the end of the current quarter. We calculate our gross customer retention rate for a quarter by dividing (i) the number of accounts that generated revenue in the last month of the current quarter that also generated recurring revenue during the last month of the corresponding quarter in the prior year, by (ii) the number of accounts that generated recurring revenue during the last month of the corresponding quarter in the prior year.

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***Annual Recurring Revenue***

We define annual recurring revenue (ARR) as the annualized value of all Backblaze B2 and Computer Backup arrangements as of the end of a period. Given the renewable nature of our business, we view ARR as an important indicator of our financial performance and operating results, and we believe it is a useful metric for internal planning and analysis. ARR is calculated based on multiplying the monthly revenue from all Backblaze B2 and Computer Backup arrangements, which represent greater than 98% of our revenue for the periods presented, (and excludes Physical Media revenue) for the last month of a period and multiplying it by 12. Our annual recurring revenue for Computer Backup and B2 Cloud Storage is calculated in the same manner as our overall annual recurring revenue based on the revenue from our Computer Backup and B2 Cloud Storage solutions, respectively. See Notes to our financial statements included in the Final Prospectus for more information on revenue from B2 Cloud Storage and Computer Backup arrangements.

ARR does not have a standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and is not intended to be combined with or to replace that item. ARR is not a forecast and the active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our customers.

While ARR is not a guarantee of future revenue, we consider over 98% of our revenue recurring for the periods presented. As noted above, our gross customer retention rate has been consistent over the periods presented at approximately 90%. Although B2 Cloud Storage is paid for by customers in arrears, we recognize revenue in the month these storage services are delivered, and consider this revenue recurring as customers are charged as long as their data is stored with us. Further, during the periods presented, customers who store data with us generally increase the amount of their data stored over time, as evidenced by our B2 Cloud Storage net revenue retention rate of 129% as of September 30, 2021. Fees from B2 Cloud Storage (consumption-based arrangements) are recognized as services are delivered. Computer Backup (subscription-based arrangements) revenue is recognized on a straight-line basis over the contractual term of the arrangement beginning on the date that the service commences, provided that all other revenue recognition criteria have been met. Additional limitations of ARR include the fact that consumption-based revenue is not guaranteed for future periods, although we believe that our high historic gross customer retention rate is indicative of ARR, and the fact that our subscription terms can be on a monthly basis, although the significant majority of our customers have subscription terms of one year or longer during the periods presented above. See Notes to the financial statements in the Final Prospectus for details on our revenue recognition policy.

**Impact of COVID-19**

The worldwide spread of COVID-19 has created significant uncertainty in the global economy. There have been no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and, as a result, the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows, and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. The global impact of COVID-19 continues to rapidly evolve, and we will continue to monitor the

situation and the effects on our business and operations. For further discussion on the impact to our business please see “Note 2. Basis of Presentation and Summary of Significant Accounting Policies” in the notes to our condensed financial statements included elsewhere in this Quarterly Report on Form 10-Q.

In addition to the impact on customers, the pandemic has had some impact to our supply chain. For example, starting in April 2020, we began to acquire additional hard drives and related infrastructure through capital lease agreements in order to minimize the impact of potential supply chain disruptions due to the pandemic. The additional leased hard drives resulted in a higher balance of capital equipment and related lease liability, an increase in cash used in financing activities from principal payments, as well as a higher ongoing interest and depreciation expense related to these lease agreements. Accordingly, our supply chain in the future may be disrupted, or we may be unable to obtain infrastructure and related equipment essential to our business on favorable terms or at all. However, based on the impact from the pandemic to date, we believe we have sufficient reserves to minimize any material impact to our business operations should such a disruption occur.

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**Key Components of Results of Operations**

***Revenue***

We generate revenue primarily from our Backblaze B2 Cloud Storage and Backblaze Computer Backup cloud services offered on our platform. Our platform is offered to our customers through either a consumption or a subscription-based arrangement through Backblaze B2 and Backblaze Computer Backup, respectively. Our subscription arrangements range in duration from one month to 24 months, for which we bill our customers up front for the entire period. Our consumption-based arrangements do not have a contractual term and are billed monthly in arrears.

For our subscription arrangements, we provide our cloud services evenly over the contractual period, for which revenue is recognized on a straight-line basis over the contract term beginning on the date that the service is made available to the customer. Consumption-based revenue is variable and is related to fees charged for our customers’ use of our platform and is recognized as revenue in the period in which the consumption occurs.

In support of our platform, we also derive revenue from products offered to our customers for the ability to securely restore data using a USB drive (USB Restore) and for migrating large data sets to our platform using our proprietary Fireball device. Revenue from USB Restore is recognized as our products are delivered to our customers. Revenue recognized from customer rentals of our Fireball device is time-based.

***Cost of Revenue and Gross Margin***

Cost of revenue consists of expenses for providing our platform and cloud services to our customers. These expenses include operating in co-location facilities, network and bandwidth costs, and depreciation of our equipment and capital lease equipment in co-location facilities. Personnel-related costs associated with customer support and maintaining service availability, including salaries, benefits, bonuses, and stock-based compensation are also included. Cost of revenue also includes credit card processing fees, amortization of capitalized internal-use software development costs, and allocated overhead costs.

We intend to continue to invest additional resources in our infrastructure and related personnel, and our customer support organization, to support the growth of our business. Some of these investments, including costs of infrastructure equipment (including related depreciation) and expansion, are incurred in advance of generating revenue, and either the failure to generate anticipated revenue or fluctuations in the timing of revenue could affect our gross margin from period to period.

***Operating Expenses***

The most significant components of our operating expenses are personnel costs, which consist of salaries, benefits, bonuses, and stock-based compensation. We also incur other non-personnel costs related to our general overhead expenses. We expect that our operating expenses will increase in absolute dollars as we grow our business.

*Research and Development*

Research and development expenses consist primarily of personnel costs, consultant fees, costs related to technical operations, subscription services for use by our research and development organization and an allocation of our general overhead expenses. We capitalize the portion of our software development costs that meets the criteria for capitalization.

We expect our research and development expenses to increase in absolute dollars for the foreseeable future as we continue to focus our research and development efforts on adding new features to our platform, improving our cloud service offerings, and increasing the functionality of our existing features. Our research and development expenses may fluctuate as a percentage of revenue from period to period due to the timing and extent of these activities.

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*Sales and Marketing*

Sales and marketing expenses consist primarily of personnel costs. Sales and marketing expenses also include expenditures related to advertising, marketing, our brand awareness activities, commissions paid to marketing partners, and an allocation of our general overhead expenses.

We plan to continue investing in sales and marketing by increasing our sales and marketing headcount, supplementing our self-serve model with a direct sales approach, expanding our partner ecosystem, driving our go-to-market strategies, building our lead generation and brand awareness, and sponsoring additional marketing events. As a result, we expect our sales and marketing expenses to increase in absolute dollars for the foreseeable future. Sales and marketing expenses may fluctuate as a percentage of revenue from period to period because of the timing and extent of these expenses.

*General and Administrative*

General and administrative expenses consist primarily of personnel costs for our accounting, finance, legal, IT, security, human resources, and administrative support personnel and executives. General and administrative expenses also include costs related to legal and other professional services fees, sales, and other taxes; depreciation and amortization; and an allocation of our general overhead expenses. We expect our general and administrative expenses to increase in absolute dollars as our business grows. Following the completion of the IPO, we expect to incur additional general and administrative expenses as a result of operating as a public company, including increased expenses for insurance, costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, investor relations, and professional services expenses.

***Interest Expense***

Interest expense consists primarily of interest related to our capital lease agreements.

***Income Tax Provision***

Provision for income taxes consists primarily of income taxes in certain foreign and state jurisdictions in which we conduct business. We maintain a full valuation allowance against our U.S. deferred tax assets because we have concluded that it is more likely than not that our deferred tax assets will not be realized.

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**Results of Operations**

The following table sets forth our statements of operations data for the periods indicated:

**For the Three Months Ended September 30,**



**2021** **2020**



**For the Nine Months Ended September 30,**



**2021** **2020**



|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **(in thousands, unaudited)** | | |  |  |  |  |
| Revenue | $ | 17,320 |  | $ | 13,817 |  | $ | 48,782 | $ | | 39,196 |
| Cost of revenue(1) |  | 8,519 |  |  | 7,097 |  |  | 24,275 |  |  | 18,775 |
| Gross profit |  | 8,801 |  |  | 6,720 |  |  | 24,507 |  |  | 20,421 |
| Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |
| Research and development(1) |  | 5,338 |  |  | 3,300 |  |  | 14,314 |  |  | 9,132 |
| Sales and marketing(1) |  | 5,025 |  |  | 2,956 |  |  | 13,149 |  |  | 8,379 |
| General and administrative(1) |  | 3,104 |  |  | 1,519 |  |  | 8,261 |  |  | 4,157 |
| Total operating expenses |  | 13,467 |  |  | 7,775 |  |  | 35,724 |  |  | 21,668 |
| Loss from operations |  | (4,666) |  |  | (1,055) |  |  | (11,217) |  |  | (1,247) |
| Interest expense |  | (968) |  |  | (793) |  |  | (2,686) |  |  | (1,946) |
| Gain on extinguishment of debt |  | — | |  | — | |  | 2,299 |  |  | — |
| Unrealized loss on SAFE |  | (359) |  |  | — | |  | (359) |  |  | — |
| Loss before provision for income taxes |  | (5,993) |  |  | (1,848) |  |  | (11,963) |  |  | (3,193) |
| Income tax provision |  | — | |  | (12) |  |  | (136) |  |  | (12) |
| Net loss | $ | (5,993) |  | $ | (1,860) |  | $ | (12,099) |  | $ | (3,205) |
|  |  |  |  |  |  |  |  |  |  |  |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1) Includes stock-based compensation expense as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended September 30,** | | | | | |  | **For the Nine Months Ended September 30,** | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | **2021** |  |  |  | **2020** |  |  | **2021** |  |  | **2020** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Cost of revenue | $ | 139 |  | $ | 34 |  | $ | 333 |  | $ | 57 |
| Research and development |  | 466 |  |  | 195 |  |  | 1,377 |  |  | 536 |
| Sales and marketing |  | 489 |  |  | 137 |  |  | 1,057 |  |  | 386 |
| General and administrative |  | 354 |  |  | 105 |  |  | 844 |  |  | 235 |
| Total stock-based compensation expense | $ | 1,448 |  | $ | 471 |  | $ | 3,611 |  | $ | 1,214 |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | 24 |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |



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The following table sets forth our statements of operations data expressed as a percentage of revenue for the periods indicated:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended September 30,** | | | | **For the Nine Months Ended September 30,** | | |
|  |  |  |  |  |  |  |  |
|  | **2021** |  | **2020** |  | **2021** |  | **2020** |
|  |  |  |  |  |  |  |  |
| Revenue | 100% |  | 100% |  | 100% |  | 100% |
| Cost of revenue | 49 |  | 51 |  | 50 |  | 48 |
| Gross profit | 51 |  | 49 |  | 50 |  | 52 |
| Operating expenses: |  |  |  |  |  |  |  |
| Research and development | 31 |  | 24 |  | 29 |  | 23 |
| Sales and marketing | 29 |  | 21 |  | 27 |  | 21 |
| General and administrative | 18 |  | 11 |  | 17 |  | 11 |
| Total operating expenses | 78 |  | 56 |  | 73 |  | 55 |
| Loss from operations | (27) |  | (8) |  | (23) |  | (3) |
| Interest expense | (6) |  | (6) |  | (6) |  | (5) |
| Gain on extinguishment of debt | — | | — | | 5 |  | — |
| Unrealized loss on SAFE | (2) |  | — | | (1) |  | — |
| Loss before provision for income taxes | (35) |  | (13) |  | (25) |  | (8) |
| Income tax provision | — | | — | | — | | — |
| Net loss | (35)% |  | (13)% |  | (25)% |  | (8)% |

**Comparison of the Three and Nine Months Ended September 30, 2021 and 2020**

***Revenue***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended** | | | |  |  |  | **For the Nine Months Ended** | | | |  |  |  |
|  | **September 30,** | | | |  |  |  | **September 30,** | | | |  |  |  |
|  | **2021** |  | **2020** |  | **Change** | | **%Change** | **2021** |  | **2020** |  | **Change** | | **%Change** |
|  | **(in thousands)** | | |  |  |  |  | **(in thousands)** | | |  |  |  |  |
| B2 Cloud Storage revenue | $5,977 |  | $3,757 |  | $2,220 |  | 59% | $16,026 |  | $10,018 |  | $6,008 |  | 60% |
| Computer Backup revenue | $11,163 |  | $9,894 |  | $1,269 |  | 13% | $32,219 |  | $28,696 |  | $3,523 |  | 12% |
| Physical Media revenue | $180 |  | $166 |  | $14 |  | 8% | $537 |  | $482 |  | $55 |  | 11% |
| Revenue | $17,320 |  | $13,817 |  | $3,503 |  | 25% | $48,782 |  | $39,196 |  | $9,586 |  | 24% |

Total revenue increased by $3.5 million, or 25%, for the three months ended September 30, 2021 compared to the same period in 2020. Consumption-based revenue (B2 Cloud Storage) increased by $2.2 million, which primarily increased due to new customers. The remaining increase of $1.3 million was due to subscription-based revenue (Computer Backup), which increased primarily due to the addition of new customers and a price increase for Computer Backup that went into effect during the three months ended September 30, 2021.

Total revenue increased by $9.6 million, or 24%, for the nine months ended September 30, 2021 compared to the same period in 2020. Consumption-based revenue (B2 Cloud Storage) increased by $6.0 million, which primarily increased due to new customers. The remaining increase of $3.5 million was due to subscription-based revenue (Computer Backup), which increased primarily due to the addition of new customers and a price increase. Additionally, COVID-19 was ongoing during the full nine months ended September 30, 2021, and may have impacted our customers and potential customers, while only part of the same period in 2020 was impacted by the pandemic.

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***Cost of Revenue and Gross Margin***

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended** | | |  |  |  | **For the Nine Months Ended** | | |  |  |  |
|  | **September 30,** | | |  |  |  | **September 30,** | | |  |  |  |
|  | **2021** | **2020** |  | **Change** | | **%Change** | **2021** | **2020** |  | **Change** | | **%Change** |
|  | **(in thousands, except** | |  |  |  |  | **(in thousands, except** | |  |  |  |  |
|  | **percentages)** | | |  |  |  | **percentages)** | | |  |  |  |
| Cost of revenue | $8,519 | $7,097 |  | $1,422 |  | 20% | $24,275 | $18,775 |  | $5,500 |  | 29% |
| Gross margin | 51% | 49% |  |  |  |  | 50% | 52% |  |  |  |  |

Total cost of revenue increased by $1.4 million, or 20%, for the three months ended September 30, 2021 compared to the same period in 2020. The increase was primarily attributable to an increase of $0.7 million for depreciation of our infrastructure equipment, which mainly resulted from purchasing additional hard drives and related infrastructure in order to minimize the impact of potential supply chain disruptions caused by COVID-19, and an increase of $0.5 million related to managing and operating our co-location facilities.

Gross margin increased to 51% for the three months ended September 30, 2021 compared to 49% for the same period in 2020. The increase in gross margin was primarily due to cost of revenue increasing at a slower rate as compared to our revenue growth, as described above.

Total cost of revenue increased by $5.5 million, or 29%, for the nine months ended September 30, 2021 compared to the same period in 2020. The increase was primarily attributable to an increase of $2.8 million for depreciation of our infrastructure equipment, which mainly resulted from purchasing additional hard drives and related infrastructure in order to minimize the impact of potential supply chain disruptions caused by COVID-19, and an increase of $2.2 million related to managing and operating our co-location facilities.

Gross margin decreased to 50% for the nine months ended September 30, 2021 compared to 52% for the same period in 2020. The decrease in gross margin was primarily due to cost of revenue increasing at a higher rate as compared to our revenue due primarily to investment in our infrastructure, as described above.

***Operating Expenses***

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended** | | |  |  |  | **For the Nine Months Ended** | | |  |  |  |
|  | **September 30,** |  |  |  |  |  | **September 30,** |  |  |  |  |  |
|  | **2021** | **2020** |  | **Change** | | **%Change** | **2021** | **2020** |  | **Change** | | **%Change** |
|  | **(in thousands)** |  |  |  |  |  | **(in thousands)** |  |  |  |  |  |
| Research and | $5,338 | $3,300 |  | $2,038 |  | 62% | $14,314 | $9,132 |  | $5,182 |  | 57% |
| development |  |  |  |  |  |  |  |  |  |  |  |  |
| Sales and marketing | 5,025 | 2,956 |  | 2,069 |  | 70% | 13,149 | 8,379 |  | 4,770 |  | 57% |
| General and | 3,104 | 1,519 |  | 1,585 |  | 104% | 8,261 | 4,157 |  | 4,104 |  | 99% |
| administrative |  |  |  |  |  |  |  |  |  |  |  |  |

*Research and Development*

Research and development expense increased by $2.0 million, or 62%, for the three months ended September 30, 2021 compared to the same period in 2020. The increase was primarily attributable to an increase of $1.4 million in personnel-related expenses as a result of increased headcount and an increase of $0.3 million related to stock-based compensation expense.

Research and development expense increased by $5.2 million, or 57%, for the nine months ended September 30, 2021 compared to the same period in 2020. The increase was primarily attributable to an increase of $3.5 million in personnel-related expenses as a result of increased headcount, an increase of $0.3 million related to consultants, and an increase of $0.8 million related to stock-based compensation expense.

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*Sales and Marketing*

Sales and marketing expense increased by $2.1 million, or 70%, for the three months ended September 30, 2021 compared to the same period in 2020. The increase in sales and marketing expense was primarily attributable to an increase of $1.2 million in personnel-related expenses as a result of increased headcount, an increase of $0.4 million related to stock-based compensation and an increase of $0.3 million due to increased advertising expenses.

Sales and marketing expense increased by $4.8 million, or 57%, for the nine months ended September 30, 2021 compared to the same period in 2020. The increase in sales and marketing expense was primarily attributable to an increase of $2.8 million in personnel-related expenses as a result of increased headcount, an increase of $0.7 million related to stock-based compensation and an increase of $0.9 million due to increased advertising expenses.

*General and Administrative*

General and administrative expense increased by $1.6 million, or 104%, for the three months ended September 30, 2021 compared to the same period in 2020. The increase was primarily attributable to an increase of $0.8 million in personnel-related expenses as a result of increased headcount, an increase of $0.2 million in professional fees for accounting and tax services, and an increase of $0.2 million related to stock-based compensation expense.

General and administrative expense increased by $4.1 million, or 99%, for the nine months ended September 30, 2021 compared to the same period in 2020. The increase was primarily attributable to an increase of $2.2 million in personnel-related expenses as a result of increased headcount, an increase of $0.7 million in professional fees for accounting and tax services, an increase of $0.6 million related to stock-based compensation expense, and an increase of $0.3 million related to consultants.

***Interest Expense***

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended** | | |  |  |  | **For the Nine Months Ended** | | |  |  |  |
|  | **September 30,** | | |  |  |  | **September 30,** | | |  |  |  |
|  | **2021** | **2020** |  | **Change** | | **%Change** | **2021** | **2020** |  | **Change** | | **%Change** |
|  | **(in thousands)** | |  |  |  |  | **(in thousands)** | |  |  |  |  |
| Interest expense | $(968) | $(793) |  | $(175) |  | 22% $(2,686) | | $(1,946) |  | $(740) |  | 38% |

Interest expense increased by $0.2 million, or 22%, for the three months ended September 30, 2021 compared to the same period in 2020. The increase was primarily due to interest expense from capital lease agreements we entered into during the second half of 2020, which increased our capital lease liability to $29.2 million as of September 30, 2021. The capital lease agreements were for additional hard drives and related infrastructure that we purchased in response to the COVID-19 pandemic, in order to minimize the impact of potential supply chain disruptions.

Interest expense increased by $0.7 million, or 38%, for the nine months ended September 30, 2021 compared to the same period in 2020. The increase was primarily due to interest expense from capital lease agreements we entered into during the second half of 2020, as described above.

***Income Tax Provision***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months Ended** | | | |  |  |  | **For the Nine Months** | | |  |  |  |
|  | **September 30,** | |  |  |  |  |  | **Ended September 30,** | | |  |  |  |
|  | **2021** | **2020** | |  | **Change** | | **%Change** | **2021** | **2020** |  | **Change** | | **%Change** |
|  | **(in thousands)** | |  |  |  |  |  | **(in thousands)** | |  |  |  |  |
| Income tax provision | | $- | $(12) |  | $12 |  | -% | $(136) | $(12) |  | $ (124) |  | 1,033% |

Our provision for income taxes did not materially change for the three months ended September 30, 2021 compared to the same period in 2020.

Our provision for income taxes increased by $0.1 million for the nine months ended September 30, 2021 compared to the same period in 2020 due to a change related to the limitation on post-2017 federal net operating losses which are limited to 80% beginning in years after December 31, 2020.

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**Non-GAAP Financial Measures**

To supplement our financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States, or GAAP, we provide investors with non-GAAP financial measures including adjusted gross margin and adjusted EBITDA, each as defined below. These measures are presented for supplemental informational purposes only, have limitations as analytical tools and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of these measures as tools for comparison. Because of these limitations, when evaluating our performance, you should consider each of these non-GAAP financial measures alongside other financial performance measures, including the most directly comparable financial measure calculated in accordance with GAAP and our other GAAP results. A reconciliation of each of our non-GAAP financial measures to the most directly comparable financial measure calculated in accordance with GAAP is set forth below.

***Adjusted Gross Margin***

We believe adjusted gross margin, when taken together with our GAAP financial results, provides a meaningful assessment of our performance, and is useful to us for evaluating our ongoing operations and for internal planning and forecasting purposes.

We define adjusted gross margin as gross profit, exclusive of stock-based compensation expense, depreciation expense of our property and equipment, and amortization expense of capitalized internal-use software included within cost of revenue, as a percentage of adjusted gross profit to revenue. We exclude stock-based compensation, which is a non-cash item, because we do not consider it indicative of our core operating performance. We exclude depreciation expense of our property and equipment and amortization expense of capitalized internal-use software, because these may not reflect current or future cash spending levels to support our business. We believe adjusted gross margin provides consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as this metric eliminates the effects of depreciation and amortization.

The following table presents a reconciliation of gross profit, the most directly comparable financial measure stated in accordance with GAAP, to adjusted gross profit, for each of the periods presented:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **For the Three Months** | | |  |  |  | **For the Nine Months Ended** | | | |  |
|  |  | **Ended September 30,** | | |  |  |  | **September 30,** | | |  |  |
|  |  | **2021** |  |  | **2020** |  |  | **2021** |  |  | **2020** |  |
|  |  |  |  |  | **(in thousands)** | | |  |  |  |  |  |
| Gross profit | $ | 8,801 |  | $ | 6,720 |  | $ | 24,507 |  | $ | 20,421 |  |
| Adjustments: |  |  |  |  |  |  |  |  |  |  |  |  |
| Stock-based compensation |  | 139 |  |  | 34 |  |  | 333 |  |  | 57 |  |
| Depreciation and amortization |  | 3,896 |  |  | 3,224 |  |  | 11,580 |  |  | 8,758 |  |
| Adjusted gross profit |  | 12,836 |  |  | 9,978 |  |  | 36,420 |  |  | 29,236 |  |
| Gross margin |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 51 % |  |  | 49 % |  |  | 50 % |  |  | 52 % |  |
| Adjusted gross margin |  | 74 % |  |  | 72 % |  |  | 75 % |  |  | 75 % |  |

***Adjusted EBITDA***

Our management uses adjusted EBITDA to assess our operating performance. We define adjusted EBITDA as net loss adjusted to exclude depreciation and amortization, stock-based compensation, interest expense, income tax provision, unrealized loss on SAFE and gain on extinguishment of debt. We use adjusted EBITDA to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that adjusted EBITDA, when taken together with our GAAP financial results, provides meaningful supplemental information regarding our operating performance by excluding certain items that may not be indicative of our business, results of operations or outlook. We consider adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business and our historical operating performance on a more consistent basis.

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Our calculation of adjusted EBITDA may differ from the calculations of adjusted EBITDA by other companies and therefore comparability may be limited. Because of these limitations, when evaluating our performance, you should consider adjusted EBITDA alongside other financial performance measures, including our net loss and other GAAP results. The following table presents a reconciliation of net loss, the most directly comparable financial measure stated in accordance with GAAP, to adjusted EBITDA for each of the periods presented:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **For the Three Months** | | | |  |  |  | **For the Nine Months Ended** | | | |
|  | **Ended September 30,** | | | |  |  |  | **September 30,** | | |  |
|  | **2021** |  |  | **2020** |  |  |  | **2021** |  |  | **2020** |
|  |  |  |  |  | **(in thousands)** | | |  |  |  |  |
| Net loss | $ | (5,993) |  | $ | (1,860) |  | $ | (12,099) |  | $ | (3,205) |
| Adjustments: |  |  |  |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  | 4,059 |  |  | 3,362 |  |  | 12,041 |  |  | 9,111 |
| Stock-based compensation |  | 1,448 |  |  | 471 |  |  | 3,611 |  |  | 1,214 |
| Interest expense |  | 968 |  |  | 793 |  |  | 2,686 |  |  | 1,946 |
| Income tax provision |  | — | |  | 12 |  |  | 136 |  |  | 12 |
| Unrealized loss on SAFE |  | 359 |  |  | — | |  | 359 |  |  | — |
| Gain on extinguishment of debt |  | — | |  | — | |  | (2,299) |  |  | — |
| Adjusted EBITDA | $ | 841 |  | $ | 2,778 |  | $ | 4,435 |  | $ | 9,078 |
|  |  |  |  |  |  |  |  |  |  |  |  |

**Liquidity and Capital Resources**

Since inception, we have financed operations primarily through payments received from our customers. As of September 30, 2021 and December 31, 2020, our principal sources of liquidity were cash and cash equivalents of $4.7 million and $6.1 million, respectively.

In November 2021, we completed our IPO which resulted in net proceeds of approximately $103 million, after underwriting discounts of approximately $8 million and offering expenses.

We believe that our existing cash and cash equivalents, together with cash provided by operations and our revolving credit facility, will be sufficient to support our working capital and capital expenditure requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our revenue growth rate, the timing and the amount of cash received from customers, the expansion of sales and marketing activities, the timing and extent of spending to support development efforts, the price at which we are able to purchase or lease infrastructure equipment, the introduction of platform enhancements, and the continuing market adoption of our platform. In the future, we may enter into arrangements to acquire or invest in complementary businesses, products, and technologies. We may be required or choose to seek additional equity or debt financing. If we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, results of operations, and financial condition.

In August 2021, we issued $10.0 million of convertible notes in a private financing round to continue investing in our growth initiatives and for general corporate purposes. We also refer to these convertible notes security as a Simple Agreement for Future Equity agreement (SAFE). The convertible notes are automatically convertible into shares of our Class A common stock upon the completion of the IPO at a discounted price to the value of our common stock. The discount shall initially be equal to 10% and shall increase by an additional 10% annually following the effective date of the agreement, subject to a maximum discount of 50%. The discount at the time of the IPO was approximately 12% across all of the SAFE notes. Interest shall accrue at the simple rate of 5% per annum of the outstanding amount commencing upon the effective date of the agreement and continuing until the outstanding principal amount has been paid in full or converted. The accrued interest shall be added to the purchased amount upon conversion into equity. Upon our IPO on November 10, 2021, the SAFE notes automatically converted into approximately 725,000 shares of Class A common stock.

In October 2021, we entered into a revolving credit agreement with City National Bank. Under this agreement, among other things, (i) amounts available to be borrowed are $9.5 million and (ii) advances on the line of credit bear interest payable monthly at the average SOFR rate plus 2.75%. The revolving credit agreement matures in September 2024. In connection with this agreement, we fully repaid and subsequently terminated our 2017 revolving credit agreement with HomeStreet Bank.

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The following table shows a summary of our cash flows for the periods presented:

**For the Nine Months Ended**

**September 30,**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2021** |  | **2020** |  |
|  | **(in thousands, unaudited)** | | |  |
| Net cash provided by operating activities | $ | 5,964 | $ | 9,566 |
| Net cash (used in) investing activities |  | (9,889) |  | (3,939) |
| Net cash provided by (used in) financing activities |  | 2,533 |  | (5,410) |

***Operating Activities***

Our largest source of operating cash is payments received from our customers. Our primary uses of cash from operating activities are for personnel-related expenses, sales and marketing expenses, infrastructure expenses, and overhead expenses.

Cash provided by operating activities mainly consists of our net loss adjusted for certain non-cash items, including stock-based compensation, depreciation, and amortization of property and equipment, amortization of capitalized internal-use software, net, and changes in operating assets and liabilities during each period.

For the nine months ended September 30, 2021, cash provided by operating activities was $6.0 million, which resulted from a net loss of $12.1 million, adjusted for non-cash charges of $14.3 million and net cash inflow of $3.8 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $12.0 million for depreciation and amortization expense, $2.3 million for the gain on extinguishment of the PPP loan and $3.6 million for stock-based compensation expense. The net cash inflow from changes in operating assets and liabilities was primarily the result of a $5.1 million increase in deferred revenue, which increased due to our growing customer base and timing of collections from our customers. Cash provided by operations decreased during the nine months ended September 30, 2021, as compared to the same period in 2020 primarily due to increased spending in support of our business growth.

For the nine months ended September 30, 2020, cash provided by operating activities was $9.6 million, which resulted from a net loss of $3.2 million, adjusted for non-cash charges of $10.8 million and net cash inflow of $1.9 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $9.1 million for depreciation and amortization expense and $1.2 million for stock-based compensation expense. The net cash inflow from changes in operating assets and liabilities was primarily the result of a $1.7 million increase in deferred revenue, which increased due to our growing customer base and timing of collections from our customers.

***Investing Activities***

Cash used in investing activities during the nine months ended September 30, 2021 was $9.9 million, resulting primarily from capital expenditures of $6.9 million in support of infrastructure deployments to support our growing business, and $3.0 million related to the development of internal-use software for adding new features and enhanced functionality to our platform.

Cash used in investing activities during the nine months ended September 30, 2020 was $3.9 million, resulting primarily from capital expenditures of $1.8 million in support of our infrastructure deployments to support our growing business, and $2.2 million related to the development of internal-use software for adding new features and enhanced functionality to our platform.

***Financing Activities***

Cash provided by financing activities for the nine months ended September 30, 2021 was $2.5 million. Cash provided by financing activities was from $10.0 million in proceeds received from our SAFE notes and $2.9 million in proceeds received from lease financing transactions, offset by cash used in principal payments on our capital lease agreements of $8.7 million related to hard drives and other infrastructure equipment used in our co-location facilities and $1.8 million related to payments made for offering costs that are deferred.

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Cash used in financing activities for the nine months ended September 30, 2020 was $5.4 million. Cash used in financing activities was from principal payments on our capital lease agreements of $7.7 million related to hard drives and other infrastructure equipment used in our co-location facilities, offset by $2.3 million in proceeds received from the PPP loan.

**Contractual Obligations and Commitments**

Our commitments are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the actions under the contracts. Operating lease commitments relate primarily to our rental of office space and co-location facilities. Our capital lease commitments relate primarily to our infrastructure equipment. Purchase commitments relate mainly to infrastructure agreements and subscription arrangements used to facilitate our operations.

**Off-Balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

**Critical Accounting Policies and Estimates**

Our financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of condensed financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

There have been no material changes to our critical accounting policies and estimates as compared to those discussed in the Prospectus, except as described in “Note 2. Basis of Presentation and Summary of Significant Accounting Policies” in the notes to our condensed financial statements included elsewhere in this Quarterly Report on Form 10-Q and except for the determination of the fair value of our Class A common stock. Prior to our IPO, our common stock was not publicly traded; therefore, we estimated the fair value of our common stock as discussed in the Prospectus. Following our IPO, the closing sale price per share of our Class A common stock as reported on the Nasdaq on the date of grant is used to determine the fair value of our Class A common stock.

**Recently Adopted Accounting Pronouncements**

See Note 2, Basis of Presentation and Summary of Significant Accounting Policies, in the notes to our condensed financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

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**JOBS Act Accounting Election**

We are an emerging growth company, as defined in the Jumpstart Our Business Startups (JOBS) Act. For so long as we continue to be an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation. The JOBS Act also provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards applicable to public companies. This provision allows an emerging growth company to delay the adoption of some accounting standards unless and until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act for the adoption of accounting standards until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates.

***Interest Rate Risk***

Our exposure to interest rate risk primarily relates to our capital lease arrangements for obtaining hard drives and related equipment for our data center operations, which may be impacted by interest rate changes. We also earn interest income generated by cash and cash equivalents held at City National Bank, which is relatively insensitive to interest rate changes. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not believe that an increase or decrease in interest rates of 100 basis points would have had a material effect on our operating results or financial condition.

Our credit facility with City National Bank, which was entered into during October 2021, is at a variable interest rate.

***Foreign Currency Exchange Rate Risk***

Our sales are currently denominated in the U.S. dollar and we have minimal foreign currency risk related to our revenue. In addition, most of our operating expenses are denominated in the U.S. dollar, resulting in minimal foreign currency risks. The volatility of exchange rates depends on many factors that we cannot accurately forecast. In the future, if our international sales increase or more of our expenses are denominated in currencies other than the U.S. dollar, our operating results may be adversely affected by fluctuations in the exchange rates of the currencies in which we do business. At this time we have not entered, but we may in the future enter, into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities could have on our results of operations.

**ITEM 4. CONTROLS AND PROCEDURES**

***Evaluation of Disclosure Controls and Procedures***

Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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Our management, with the participation and supervision of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were not effective due to the material weaknesses in our internal control over financial reporting described below. In light of this fact, our management has performed additional analyses, reconciliations, and other post-closing procedures and has concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the condensed financial statements for the periods covered by and included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

***Previously Reported Material Weaknesses***

As disclosed in the section titled “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q, we previously identified control deficiencies in the design and implementation of our internal control over financial reporting that constituted material weaknesses. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

The four material weaknesses identified in our internal control over financial reporting related to (i) a lack of sufficient and timely review of significant accounting transactions and reconciliations, (ii) inadequate consideration of certain revenue recognition criteria, specifically related to the timing of revenue recognition, appropriate presentation and satisfaction of criteria for revenue recognition, (iii) inadequate ability to timely identify errors related to the recording of certain equity transactions, and (iv) our lack of ability to consider the accurate recording of value added taxes and sales and use taxes. We have concluded that this material weakness arose because, as a private company, we did not have the necessary business processes, systems, personnel, and related internal controls necessary to satisfy the accounting and financial reporting requirements of a public company.

***Remediation Plans***

We have commenced measures to remediate the identified material weaknesses, including: (i) enhancing our accounting policies, control activities, and monitoring; (ii) implementing a new enterprise resource planning system and other systems and processes related to revenue recognition and equity administration to increase capabilities over our financial statement recording and reporting processes, (iii) hiring additional full-time accounting personnel with appropriate levels of experience to increase our accounting and technical expertise, including a new Chief Financial Officer, a Corporate Controller and an Internal Controls Manager; and (iv) reallocating responsibilities across our accounting organization so that the appropriate level of knowledge and experience is applied based on the complexity of transactions. We intend to continue to take steps to remediate the material weaknesses described above and further evolving our accounting processes.

The actions we are taking are subject to ongoing executive management review and are also subject to audit committee oversight. To date, we have hired additional financial and accounting personnel with technical accounting experience and implemented new technology solutions to assist with our financial reporting process. We will not be able to fully remediate these material weaknesses until these steps have been completed and have been operating effectively for a sufficient period of time. If we are unable to successfully remediate these material weaknesses, or if in the future, we identify further material weaknesses in our internal control over financial reporting, we may not detect errors on a timely basis and our condensed financial statements may be materially misstated.

***Changes in Internal Control over Financial Reporting***

We are taking actions to remediate the material weaknesses relating to our internal control over financial reporting, as described above. Except as otherwise described herein, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Inherent Limitations on Effectiveness of Controls***

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Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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**Part II - Other Information**

**ITEM 1. LEGAL MATTERS**

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that in the opinion of our management, if determined adversely to us, individually or taken together, would have a material adverse effect on our business, financial condition, operating results, or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

**ITEM 1A. RISK FACTORS**

*Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our condensed financial statements and the accompanying notes, included elsewhere in this Quarterly Report on Form 10-Q. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of these risks actually occur, it may materially harm our business, financial condition, liquidity, results of operations, and the market price of our Class A Common Stock.*

**Risk Factors Summary**

An investment in our Class A common stock involves a high degree of risk. Below is a summary of the principal factors that make an investment in our Class A common stock speculative or risky. Importantly, this summary does not address all of the risks that we face. Our ability to execute our business strategy is subject to numerous risks, as more fully described in the section titled “Risk Factors” immediately following this summary. These risks include, among others:

* We have a history of cumulative losses, and we do not expect to be profitable for the foreseeable future.
* The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results would be harmed.
* Any significant disruption in our service or loss, or delay in availability, of our customers’ data, could damage our reputation and harm our business and operating results.
* If we are unable to maintain our brand and reputation, our business, results of operations, and financial condition may be adversely affected.
* If our information technology systems, including the data of our customers stored in our systems, are breached or subject to cybersecurity attacks, our reputation and business may be harmed.
* If we are unable to attract and retain customers on a cost-effective basis, our revenue and operating results would be adversely affected.
* If we are unable to provide successful enhancements, new features, and modifications to our cloud services, our business could be adversely affected.
* Material defects or errors in our software could harm our reputation, result in significant costs to us, and negatively impact our ability to sell our cloud services.
* We rely on third-party vendors and suppliers, including data center and hard drive providers, which may have limited sources of supply, and this reliance exposes us to potential supply and service disruptions that could harm our business.
* Our business depends, in part, on the success of our strategic relationships with third parties.
* We have identified material weaknesses in our internal controls over financial reporting, and the failure to achieve and maintain effective internal controls over financial reporting could harm our business and negatively impact the value of our Class A common stock.

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* The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of this offering, including our executive officers, employees, and directors and their affiliates, which will limit your ability to influence the outcome of important transactions, including a change in control.

**Risks Related to Our Business and Our Industry**

***We have a history of cumulative losses, and we do not expect to be profitable for the foreseeable future.***

We incurred net losses of $1.0 million and $6.6 million for the years ended December 31, 2019 and 2020, respectively. Over our 14 years of operations, we had an accumulated deficit of $26.7 million as of September 30, 2021. We cannot guarantee that we will continue operating our business similar to past performance. We intend to continue scaling our business to increase our customer base and to meet the increasingly complex needs of our customers. We have invested, and expect to continue to invest, in our sales and marketing organization to sell our cloud services around the world and in our development organization to deliver additional features and capabilities of our cloud services to address our customers’ evolving needs. We also expect to continue to make significant investments in our data center infrastructure and technical operations organization as we further scale our business. As a result of our continuing investments to scale our business in each of these areas, we do not expect to be profitable for the foreseeable future. We cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability.

***The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results would be harmed.***

The markets in which we operate are highly competitive, with relatively low barriers to entry for certain applications and services. Some of our competitors include cloud-based services such as those offered by Amazon.com, Inc. through Amazon Web Services, Alphabet Inc. through Google Cloud Platform, and Microsoft Corporation through Azure, and on-premises offerings such as those offered by EMC/Dell and NetApp. Many of our competitors and potential competitors are larger and have greater name and brand recognition; much longer operating histories; larger marketing budgets for the development, promotion and sale of their products or services; broader service offerings and capabilities; and significantly greater resources than we do. In addition, many of our competitors have established marketing and distribution relationships with channel partners, consultants, system integrators, and resellers. Our competitors may also be able to respond more quickly and effectively to new or changing opportunities, technologies, standards, or customer requirements. Competition may intensify in the future and may also include new market entrants. Our competitors could offer their products or services at a lower price or in some combination with other services or applications that we do not offer, which could result in pricing pressures on our business. Increased competition generally could result in reduced sales, lower margins, losses, or the failure of our cloud services to achieve or maintain widespread market acceptance, any of which could harm our business.

***Any significant disruption in our service or loss, or delay in availability of our customers’ data, could damage our reputation and harm our business and operating results.***

Our brand, reputation, and ability to manage our systems; attract, retain, and serve our customers; and interface with our partners, are dependent upon the reliable performance of our platform, including our underlying technical infrastructure, as well as the systems and infrastructure of various third parties, including third-party hosted data centers that we use and internet access and infrastructure used by us and our customers and partners. Our customers rely on our platform to store and access their data, including financial records, business information, personal information, documents, media, and other important content. There are various reasons that our platform, or the systems that are used to access or support our platform, could experience a disruption in service, some of which are entirely outside of our control. For example, our facilities as well as the data centers that we use are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, any of which could disrupt our service, destroy user content, or prevent us from being able to continuously back up or record changes in our users’ content. If any of these events occur, customer data could be lost and it may take a significant period of time to achieve full resumption of our cloud services. Our disaster recovery planning cannot account for all eventualities and even if we anticipate an incident, our disaster recovery plans may not be sufficient to timely and effectively address the issue. Moreover, our platform and technical infrastructure may not be adequately designed with sufficient reliability and redundancy to avoid delays or outages that could be harmful to our business. If our platform is unavailable when users attempt to access it, or if it does not load as quickly as they expect, or if data is lost, users may not use our platform as often in the future, or at all.

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***If we are unable to maintain our brand and reputation, our business, results of operations, and financial condition may be adversely affected.***

The successful promotion of our brand and our ability to maintain our reputation will depend on a number of factors, including our performance and the reliability of our cloud services; our advertising and marketing efforts, including our blog and social media presence, which have been important to building and maintaining our brand and reputation; our ability to continue to develop high-quality features and cloud services; and our ability to successfully differentiate our cloud services from competitive products and services. Our brand promotion activities may not be successful or yield increased revenue.

The promotion of our brand may require us to make substantial expenditures, particularly as our markets become more competitive and we expand into new markets or offer additional features. Expenditures intended to maintain and enhance our brand may not be cost-effective or effective at all. If we do not successfully maintain and enhance our brand, we may have reduced pricing power relative to our competitors, we could lose customers, we could fail to attract potential new customers or retain our existing customers, or our blog and thought leadership in our industry may decline in popularity, all of which could materially and adversely affect our business.

***If our information technology systems, including the data of our customers stored in our systems, are breached or subject to cybersecurity attacks, our reputation and business may be harmed.***

Our customers rely on our solutions to store their files, which may include confidential or personally identifiable information, critical business information, photos, and other meaningful content. To manage and maintain such data, we are highly dependent on internal and external information technology systems and infrastructure, including the internet, to securely process, transmit, and store critical information. Although we take measures to protect sensitive information from unauthorized access or disclosure, third parties may be able to circumvent our security by deploying viruses, worms, and other malicious software programs that are designed to attack or attempt to infiltrate our systems and networks, including distributed denial of service (DDoS) or phishing attacks, that can undermine the availability and performance of our systems and cloud services, fraudulently steal data, or otherwise cause damage to our reputation. Moreover, cybersecurity attacks evolve rapidly and may utilize new methods not recognized. We may be unable to successfully identify, stop, or resolve such attacks, or implement adequate preventative measures. In addition, employee or consultant error, malfeasance, or other errors in the storage, use, or transmission of customer data could result in a breach. For example, in late March 2021, it was discovered that a Backblaze marketing campaign leveraging the Facebook ad network, which had been launched two weeks earlier, had been incorrectly configured to run on all Backblaze platform pages instead of only the Backblaze marketing pages as intended. Once we became aware of the issue, it was promptly resolved. Although we believe that less than 2% of Backblaze customers may have been affected, and no actual customer files, file contents, or user account information were shared at any time, certain file metadata may have been inadvertently shared with Facebook. Even if a breach is detected, the full extent of the breach may not be determined immediately, or at all. While we maintain insurance coverage to mitigate the potential financial impact of these risks, our insurance may not cover all such events or may be insufficient to compensate us for potentially significant losses, including the potential damage to the future growth of our business, that may result from any such breach. In addition, our business utilizes information technology systems of our partners and vendors, who are also subject to similar cybersecurity risks that could adversely impact the security of our systems and business. We may have little or no control over how cybersecurity attacks on our partners or vendors are addressed. An actual or perceived breach of our network security and systems or other cybersecurity-related events that cause the loss, theft or unauthorized disclosure of our customers’ information, including any delay in determining the full extent of a potential breach, could have a material adverse impact on our business, results of operations, and financial condition, including harm to our reputation and brand, reduced demand for our solutions, time-consuming and expensive litigation, fines, penalties, and other damages.

***If we are unable to attract and retain customers on a cost-effective basis, our revenue and operating results would be adversely affected.***

We generate substantially all of our revenue from the sale of our cloud services either on a consumption or subscription model. To grow, we must continue to attract a large number of customers on a cost-effective basis. We have historically used, and plan to increase our use of, a variety of advertising and marketing programs to promote our cloud services. These programs, including any expansion of existing programs and new programs to promote our cloud services, may not be successful or provide a reasonable return on investment within a desired timeframe. Significant increases in the pricing of one or more of our advertising channels would increase our advertising and marketing costs or cause us to choose less expensive and perhaps less effective channels. We may also need to expand into channels with significantly

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higher costs, which could adversely affect our operating results. We may also incur advertising and marketing expenses significantly in advance of the time we anticipate recognizing any revenue generated by such expenses, and we may only at a later date, or never, experience an increase in revenue or brand awareness as a result of such expenditures. If we are unable to maintain effective advertising and marketing programs, our ability to attract new customers could be adversely affected, our advertising and marketing expenses could increase substantially, and our operating results may suffer.

A portion of our potential customers locate our website through search engines, such as Google, Bing, and Yahoo!. Our ability to maintain the number of visitors directed to our website is not entirely within our control. If search engine companies modify their search algorithms in a manner that reduces the prominence of our listing, or if our competitors’ search engine optimization efforts are more successful than ours, fewer potential customers may click through to our website. In addition, the cost of purchased listings has increased in the past and may increase in the future. A decrease in website traffic or an increase in promoted search result costs could adversely affect our customer acquisition efforts and our operating results. In addition, we also rely on our blog and word of mouth to drive additional customers. To the extent our blog does not continue to attract readers or if our reputation is harmed, these additional means of attracting customers may no longer provide significant numbers of customers in the future.

In addition, because we offer our Computer Backup cloud service at a fixed price, the amount of data our customers back up affects our costs and gross margins. To the extent current or future customers back up unusually large amounts of data, or growth in the amount of data backed up per customer outpaces decreases in storage costs, our costs and gross margins could be adversely affected.

***If we are unable to provide successful enhancements, new features, and modifications to our cloud services, our business could be adversely affected.***

Our industry is marked by rapid technological developments and new and enhanced applications and cloud services. If we are unable to provide enhancements and new features for our existing services or new services that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. In addition, because our cloud services are designed to operate on a variety of systems, we will need to continuously modify and enhance our cloud services to keep pace with changes in internet-related hardware, operating systems, and other software, communication, browser, and database technologies, including the systems of our partners, vendors, and competitors. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. For example, we may not be successful in launching our cloud replication feature in the timeframe we anticipate. Any failure of our cloud services to operate effectively and on a timely basis with network platforms and technologies could reduce the demand for our cloud services, result in customer dissatisfaction and adversely affect our business. Furthermore, future enhancements may increase our research and development expenses and infrastructure costs, which could adversely impact our pricing advantage, undermine our ease of use, make it more difficult to attract and retain customers, and harm our results of operations.

***Material defects or errors in our software could harm our reputation, result in significant costs to us, and negatively impact our ability to sell our cloud services.***

The software underlying our cloud services is inherently complex and may contain material defects or errors, particularly when first introduced or when new versions or enhancements are released. We have from time to time found defects or errors in our cloud services, and new defects or errors in our existing solutions may be detected in the future by us, our customers or partners, or other third parties. The costs incurred in correcting such defects or errors may be substantial and could harm our operating results. Backblaze employees could also introduce defects or errors through incompetence, malfeasance, or a mistake that would lead to data loss. For example, to the extent that the encryption keys for encrypted customer data stored by Backblaze were to be deleted or corrupted, the data could become unrecoverable. In addition, we rely on hardware purchased or leased and software licensed from third parties to offer our cloud services. Any defects in, or unavailability of, our software that cause interruptions to the availability of our cloud services could, among other things:

* require us to issue refunds to our customers or expose us to claims for damages,
* cause us to lose existing customers and make it more difficult to attract new customers,
* divert our development resources or require us to make extensive changes to our cloud services or software, and

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* harm our reputation and brand.

***If we fail to effectively manage our growth, our business would be harmed.***

We have recently experienced, and continue to experience, a period of rapid growth. For example, our headcount grew from 82 employees as of December 31, 2018, to 126 employees as of December 31, 2019, to 188 employees as of December 31, 2020 and to 243 employees as of September 30, 2021. Also, in just the last two years the amount of storage deployed by us has more than doubled. The number of customers and customer requests on our network has also increased rapidly in recent years. While we expect to continue to expand our operations and to increase our headcount, network, and product offerings significantly in the future, our growth may not be sustainable. Our growth has placed, and future growth will continue to place, a significant strain on our management, corporate culture, quality of our cloud services, and administrative, operational, security, and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively, which will require that we, among other things, continue to improve our administrative, operational, financial, and management systems and controls.

***Our business depends on our ability to retain and increase revenue from customers, and if we are unable to do so, our revenue and operating results would be adversely affected.***

It is important for our business that our customers continue to use, and even increase their use of, our cloud services. Many of our customers can terminate their use of our cloud services at will with little-to-no advance notice. Even though some of our customers enter into longer-term agreements of up to two years, they generally have no obligation to renew their subscriptions or increase usage. Due to our varied customer base and lack of long-term customer and usage commitments, it can be difficult to accurately predict our customer retention rate on a quarterly basis or long-term basis. Our customer retention and the amount of data that they store with us may decline or fluctuate as a result of a number of factors, including potential customer dissatisfaction with our cloud services and offerings; pricing plans; our customers’ own business conditions; customer decisions to delete unneeded or redundant data; the perception, whether or not accurate, that competitive products provide better options; changes in our brand or reputation; and overall general economic conditions. Our future financial performance also depends in part on our ability to continue to increase revenue from our customers through additional paid products, such as Extended Version History and multi-region selection. Our customers’ decision whether to opt for additional paid products is driven by a number of factors. If our customers do not perceive the value in such additional paid offerings, we may not realize the anticipated benefits of our investments in such additional features, and our financial results could be harmed. If we cannot successfully retain our existing customers and add new customers consistent with historical rates, including maintaining or growing the amount of data that our customers store with us, our revenue and ability to grow may be adversely affected.

***To the extent we target different types of customers, we may face increased demands and challenges that adversely impact our business and operations.***

Historically, most of our customers consisted of small-to-medium sized businesses and individuals. To the extent we target other types of customers or customers with different needs, we may face greater demand for certain service enhancements or features that we do not currently offer, or additional performance, availability, durability, and security requirements. Certain types of customers may also have longer sales cycles, less predictability or higher volatility in the amount of data they store with us, increased pricing or negotiation leverage, and increased customer education and overall customer engagement needs. In addition, some customers may demand more customization, integration, and support services. Any of these factors could require us to devote greater sales, engineering, operations, and support services as well as make significant infrastructure changes, which could increase our costs, divert key resources from other current and prospective customers, and otherwise adversely affect our business and operating results. These increased demands and challenges may also be for the benefit of a limited number of customers. Moreover, we cannot assure you that any such efforts will be successful or justify the additional investments in a timely manner, or at all.

***The material stored using our cloud services may subject us to negative publicity, legal liability, and harm our business.***

We are not aware of the contents of the data that customers store using our cloud services. While we do have a detailed process to address any third-party complaint regarding illegal or other inappropriate use of our cloud services by a customer that would violate our terms of service, we do not actively monitor the content of data that is being stored with us. To the extent that sensitive, personally identifiable, illegal, or controversial data is stored in our servers and that becomes known publicly, particularly given the highly volatile nature of the political landscape throughout the world and

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immediate access by individuals to social media platforms with a broad outreach, it may create negative publicity and adversely impact our reputation and harm our business.

***Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.***

Our quarterly results of operations may vary significantly in the future. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result may not fully reflect the underlying performance of our business. Fluctuation in quarterly results may negatively impact the trading price of our Class A common stock. Factors that may cause fluctuations in our quarterly results of operations include, without limitation:

* our ability to attract new customers;
* the amount of customer churn;
* fluctuations in the amount of data customers store with us;
* the amount and timing of operating expenses and equipment purchases related to the maintenance and expansion of our business;
* interruptions or loss of service of our offerings;
* the timing and success of new product feature and service introductions by us or our competitors;
* our ability to retain and increase revenue from customers;
* the impact of COVID-19 or other pandemics on our business or that of our customers and partners;
* changes in the competitive dynamics of our industry, including consolidation among competitors;
* security breaches of our systems;
* our involvement in litigation, or the threat thereof;
* the length of the sales cycle;
* the timing of expenses and receipt of perceived benefits related to any acquisitions;
* changes in laws and regulations that impact our business; and
* general economic and market conditions.

Further, as we continue to grow and scale our business to meet the needs of our customers, we may overestimate or underestimate our infrastructure capacity requirements, which could adversely affect our results of operations. The costs associated with leasing and maintaining our custom-built infrastructure in co-location facilities and third-party data centers already constitute a significant portion of our capital and operating expenses. We continuously evaluate our short and long-term infrastructure capacity requirements and seek to ensure adequate capacity for new and existing users while minimizing unnecessary excess capacity costs. However, we may not be able to sufficiently predict future demand, or the availability of hardware or infrastructure necessary to support increased demand on a timely basis. If we overestimate the demand for our platform and therefore secure excess infrastructure capacity or equipment, our gross margins could be reduced. If we underestimate our infrastructure capacity requirements or availability of necessary hardware or infrastructure, we may not be able to service the needs of new and existing customers; durability, reliability, and performance could suffer; our costs could rise; and our business could be harmed.

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***We rely on the performance of key personnel, including our management and other key employees, and the loss of one or more of such personnel, or of a significant number of our team members, could harm our business.***

We believe our success has depended, and continues to depend, on the efforts and talents of senior management, including our founders and other key personnel. All of our employees, including our senior management, are employed on an at-will basis. Furthermore, our founders and other key personnel hold shares or equity awards that are largely vested, and as result, they may not be incentivized to remain with our company once there is a trading market for our Class A common stock. We cannot ensure that we will be able to retain the services of any member of our senior management or other key employees or that we would be able to timely replace members of our senior management or other key employees should any of them depart. The loss of one or more members of our senior management or other key employees could harm our business.

***The failure to attract and retain additional qualified personnel could prevent us from executing our business strategy.***

To execute our business strategy, we must attract and retain highly qualified personnel. Competition for executive officers, software developers, sales personnel, operational personnel, and other key employees in our industry is intense. In particular, we compete with many other companies for software developers with high levels of experience in designing, developing, and managing cloud-based software, as well as for skilled sales and operations professionals. In addition, we believe that the success of our business and corporate culture depends on employing a diverse workforce, and the competition for such personnel is significant. The market for such talented personnel is particularly competitive in the San Francisco Bay Area, where our headquarters is located. Many of the companies with which we compete for experienced personnel have greater resources than we do and can frequently offer such personnel substantially greater compensation than we can offer. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business would be harmed.

***Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity, and teamwork fostered by our culture, and our business may be harmed.***

We have a culture that encourages employees to be open, collaborate, strive to do the right thing, and develop and launch new and innovative solutions, which we believe is essential to attracting customers and partners and serving the best, long-term interests of our company. As our business grows and becomes more complex, and as we become a public company, it may become more difficult to maintain this cultural emphasis. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our strategies. If we fail to maintain our company culture, our business and competitive position may be harmed.

***As we expand our operations outside the United States, we may be subject to increased business, regulatory and economic risks that could impact our results of operations.***

In 2020, we derived approximately 28% of our revenue from customers outside of the United States. We may also expand our international operations, which may include hiring employees, building out technical infrastructure, and opening offices in foreign jurisdictions. Any new markets or countries into which we attempt to market and sell our cloud services may not be receptive. For example, we may be unable to expand further in some markets if we are unable to satisfy various government- and region-specific requirements. In addition, our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges and complexities of deploying infrastructure internationally and supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems, and commercial markets. International expansion has required, and will continue to require, investment of significant funds and other resources. Growth in our international operations will subject us to new risks and may increase risks that we currently face, including risks associated with:

* higher costs of doing business internationally, including increased infrastructure, accounting, travel, and legal compliance costs;
* providing our platform, building out the necessary infrastructure and operating our business across a significant distance, in different languages and among different cultures, including the potential
* need to modify our platform and features to ensure that they are culturally appropriate and relevant in different countries;

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* compliance with applicable international laws and regulations, including laws and regulations with respect to privacy, data protection, consumer protection, and unsolicited email, and the risk of penalties to our users and individual members of management or employees if our practices are deemed to be out of compliance;
* recruiting and retaining talented and capable employees outside the United States, and maintaining our company culture across all of our offices;
* management of an employee base in jurisdictions that may not give us the same employment and retention flexibility as does the United States;
* operating in jurisdictions that do not protect intellectual property rights to the same extent as does the United States;
* compliance by us and our business partners with anti-corruption laws, anti-bribery, anti-money laundering, and similar laws; import and export control laws; tariffs and trade barriers; economic sanctions; and other regulatory limitations on our ability to provide our cloud services in international markets;
* foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories;
* restrictions that might prevent us from repatriating cash earned outside the United States;
* double taxation of our international earnings and potentially adverse tax consequences due to changes in the income and other tax laws of the United States or the international jurisdictions in which we operate; and
* political and economic instability in various jurisdictions.

Expanding our international operations and complying with applicable foreign laws and regulations may substantially increase our cost of doing business in international jurisdictions. We may also be unable to keep current with changes in laws and regulations as they develop, and we or our employees, contractors, partners, and agents may fail to maintain compliance with applicable laws and regulations. Any violations could result in enforcement actions, fines, civil and criminal penalties, damages, injunctions, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of our global operations successfully, our business, results of operations, and financial condition could be adversely affected.

***We store personal information and other customer data, which subjects us to various data privacy laws, governmental regulations, and other related legal obligations, and any actual or perceived failure to comply with such requirements could harm our business.***

We store personal information and other customer data, as well as use certain cookies on our website, that are subject to numerous federal, state, local, and foreign laws regarding privacy and the storing and protection of personal information and other customer data, and disclosure requirements regarding the use and certain breaches of such laws. For example, we are subject to the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA), among other laws and regulations around the world. Other comprehensive data privacy or data protection laws or regulations requiring local data residency and/or restricting the international transfer of data have been passed or are under consideration in other jurisdictions. In addition, some industries have industry-specific requirements relating to compliance with certain security and regulatory standards, such as those required by the Health Insurance Portability and Accountability Act (HIPAA). For example, HIPAA imposes privacy, security, and breach reporting obligations with respect to individually identifiable health information upon “covered entities” (e.g., health plans, health care clearinghouses, and certain health care providers), and their respective business associates, individuals, or entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. Such laws give rise to an increasingly complex set of compliance obligations on us regarding our ability to gather, use, and store customer data and customer account data.

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These laws are subject to rapid change, differing interpretations, and can be inconsistent among regulatory frameworks or conflict with other rules or our business practices. We strive to comply with all applicable laws, policies, legal obligations, and industry codes of conduct relating to privacy and data protection to the extent possible. Our efforts to comply with the complex matrix of data privacy laws around the world subjects us to increasing costs to review and comply with such laws, including updating our policies, procedures, and business practices to address such evolving privacy laws. We also make public statements and commitments regarding our use and disclosure of personal information through our privacy policy, information provided on our website, and data processing agreements with customers and other third parties. Because the interpretation and application of data protection laws, regulations, standards, and other obligations are often uncertain and in flux, and sometimes contradictory, it is possible that the scope and requirements of these laws and other obligations may be interpreted and applied in a manner that is inconsistent with our practices, and our efforts to comply with rapidly evolving data protection laws and obligations may be unsuccessful. For example, we previously relied on the EU-US Privacy Shield framework, which was invalidated by a European court in July 2020. As a result of such a decision, we have had to take additional steps to comply with applicable EU data protection requirements, including implementation of standard contractual clauses.

Any failure, or perceived failure, by us to comply with applicable privacy and security laws, policies, or related contractual obligations, or any compromise of security that results in unauthorized access, or the use or transmission of personal information or other customer data, could result in a variety of claims against us, including governmental enforcement actions and investigations, audits, inquiries, whistleblower complaints, class action privacy litigation in certain jurisdictions, and proceedings by data protection authorities. For example, under the GDPR we may be subject to fines of up to €20 million or up to 4% of the total worldwide annual group turnover of the preceding financial year, as well as potentially face claims from individuals. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. Any non-compliance with data privacy requirements could subject us to significant fines and penalties, adverse media coverage, reputational damage, the loss of current and potential customers, loss of export privileges, or criminal or other civil sanctions, any of which could materially adversely affect our business and financial condition.

***The ongoing COVID-19 pandemic, and resulting global economic downturn, has impacted how we, our customers, and our partners are operating, and could result in a material adverse effect on our business.***

The ongoing COVID-19 pandemic and its inherent uncertainty, and measures taken to control its spread such as travel restrictions, shelter-in-place orders, and business shutdowns, have affected all of the regions in which we conduct business and in which our customers, partners, and suppliers are located; have adversely impacted global economic activity; and have contributed to volatility in financial markets. As the situation around the spread of the COVID-19 pandemic evolves, we have continued to operate in a modified manner—employing precautionary measures designed to protect the health of our employees while enabling us to support our customers and partners. Among other modifications, we generally required our employees to work remotely; instituted business-related travel restrictions; and virtualized, postponed, or cancelled various sales and marketing, employee, and industry events. The remote work measures that we implemented have generally allowed us to provide uninterrupted service to our customers and partners, but have also introduced additional challenges and operational risks, including increased supply chain risks and cybersecurity risks, and have affected the way we conduct various other activities. For example, starting in April 2020, we began to acquire additional hard drives and related infrastructure through capital lease agreements in order to minimize the impact of potential supply chain disruptions. The additional leased hard drives resulted in a higher balance of capital equipment and related lease liability, an increase in cash used in financing activities from principal payments, as well as a higher ongoing interest and depreciation expense related to these lease agreements. The supply chain for other infrastructure and related equipment essential to our business may also become constrained or unavailable on favorable terms or at all.

The COVID-19 pandemic has been challenging and a hardship on many of our employees, and required us to operate under substantially novel constraints. The pandemic has resulted in various inefficiencies, delays, and additional costs across our company, which may continue or worsen as the pandemic continues. In addition, work from home and related business practice modifications present significant challenges to maintaining our corporate culture, including employee engagement and productivity, both during the immediate pandemic crisis and as we make additional adjustments in the eventual transition from it.

The duration and severity of the COVID-19 pandemic, including variants of COVID-19 such as the delta variant or omicron variant, that may be more transmissible, more likely to result in severe illness or death, or less susceptible to treatments or protection from existing vaccines, and the degree of its impact on our business remains uncertain and difficult to predict. Our customers or partners could experience delays, downturns or uncertainty in their own

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business operations or revenue due to COVID-19, which may result in supply chain disruption or decreased revenue for our business, especially as it may disproportionally adversely affect mid-market businesses on which we are especially dependent. As a result, we may experience customer losses due to customer bankruptcy or cessation of operations, or otherwise.

If the COVID-19 pandemic worsens or is prolonged, especially in regions where we have material operations or sales, our business operations in affected areas, including sales-related and customer support activities, could be adversely affected by continued or additional business closures, travel restrictions impacting employees and partners, and other precautionary measures. While we have developed and continue to develop plans to help mitigate the negative impact of the pandemic on our business, these efforts may not be effective and a protracted economic downturn may limit the effectiveness of our mitigation efforts. The COVID-19 pandemic may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

***Our business is substantially dependent on mid-market organizations, which may be more vulnerable to market fluctuations and other economic factors, and their vulnerability to such factors could negatively impact our business.***

If we are unable to successfully market and sell our cloud services to mid-market organizations, our ability to grow our revenue and achieve profitability will be harmed. We expect it will be more difficult and expensive to attract and retain mid-market organization customers than other customers because mid-market organizations are more frequently forced to curtail or cease operations due to the sale or failure of their business; can be more difficult to identify and may require more expensive, targeted sales campaigns; and generally have lesser amounts of data to store than larger organizations, thus requiring us to successfully sell to and support more mid-market organizations for meaningful revenue impact. In addition, mid-market organizations frequently have limited budgets and are more likely to be significantly affected by economic downturns than larger, more established companies. As a result, mid-market organizations may choose to spend funds on items other than our cloud services, particularly during difficult economic times. If we do not achieve continued success among mid-market organizations, our business, operating results, and future growth would be adversely affected.

***We are dependent on a small number of service offerings, and any reduced market adoption of these offerings would result in lower revenue and harm our business.***

As a pure-play cloud vendor, we are dependent on a small number of offerings focused on cloud storage and computer backup, and a limited number of corresponding use cases. Our B2 Cloud Storage and Computer Backup offerings have accounted for substantially all of our total revenue to date and we anticipate that they will continue to do so for the foreseeable future. As a result, our revenue could be reduced as a result of any general or industry decline in demand for cloud-based storage solutions, particularly given that we would not have meaningful revenue from other market sectors to offset any temporary or longer-term downturn in demand for cloud-based storage solutions.

***Adverse economic conditions may adversely impact our revenue and profitability.***

Our operations and financial performance depend in part on worldwide economic conditions and the impact these conditions have on levels of spending on cloud storage solutions. Our business depends on the overall demand for these products and on the economic health and general willingness of our current and prospective customers to purchase our cloud services. Some of our paying customers may view use of cloud storage services as a discretionary purchase and may reduce their discretionary spending on our cloud services during an economic downturn. Weak economic conditions, whether due to COVID-19 or other factors, could cause a reduction in spending on products and solutions storage, which could reduce sales, lengthen sales cycles, increase customer churn, and lower demand for our cloud services, any of which could adversely affect our business, results of operations, and financial condition.

***Our ability to maintain customer adoption and satisfaction depends in part on the ease of use of our cloud services, and any such failure could have an adverse effect on our business.***

Our success in retaining existing customers and obtaining new customers is dependent in part on the ease of use of our cloud services. If our platform and cloud services, including new service offerings and features as they become available, become more complicated and less easy-to-use, customers could experience increased difficulties or disruption with storing or accessing their data, and we may lose existing customers or experience increased challenges obtaining new customers or existing customers may not choose to use additional features of our cloud services. In addition, our customers sometimes depend on our technical support services to resolve issues relating to our platform. If we do not succeed in

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helping our customers quickly resolve issues or provide effective ongoing education related to our platform, our reputation and business may be harmed.

***Future acquisitions and investments could disrupt our business and harm our financial condition and operating results.***

Our success will depend, in part, on our ability to grow our business in response to changing technologies, customer demands, and competitive pressures. In some circumstances, we may choose to do so through the acquisition of complementary businesses and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may be unable to successfully complete proposed acquisitions. The risks we face in connection with acquisitions include:

* diversion of management time and focus from operating our business to addressing acquisition integration challenges;
* coordination of research and development, operational, and sales and marketing functions;
* retention of key employees from the acquired company;
* cultural challenges associated with integrating employees from the acquired company into our organization;
* integration of the acquired company’s accounting, management information, human resources, and other administrative systems;
* the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures, and policies;
* liability for activities of the acquired company prior to our acquisition of them, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities;
* unanticipated write-offs or charges; and
* litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders, or other third parties.

Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental operating expenses, or the write-off of goodwill, any of which could harm our financial condition or operating results.

***We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.***

We may need additional financing to operate or grow our business. Our ability to obtain additional financing, if and when required, will depend on investor and lender demand, our operating performance, the condition of the capital markets, and other factors. For example, we often use capital leases to finance the equipment we use to provide our cloud-based services. Without additional access to this kind of capital on commercially reasonable terms, or at all, we may not be able to respond to increased demand for our cloud services on a timely or cost-effective basis. We cannot guarantee that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked, or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our Class A common stock, and our existing stockholders may experience dilution. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed.

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***We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our Class A common stock less attractive to investors.***

We are an emerging growth company, and for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including: not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the Sarbanes Oxley Act), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this accommodation allowing for delayed adoption of new or revised accounting standards, and therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We could be an emerging growth company for up to five years following the completion of our IPO or until we reach certain thresholds. Investors may find our Class A common stock less attractive due to our election to rely on these exemptions and there may be a less active trading market for our Class A common stock and the market price of our Class A common stock may be more volatile.

***We are exposed to fluctuations in currency exchange rates, which could negatively affect our results of operations.***

All of our sales contracts are currently denominated in U.S. dollars and therefore, our revenue is not directly subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our cloud services to our customers outside of the United States, which could reduce demand for our cloud services and adversely affect our financial condition and results of operations. In addition, as we expand our international operations, we may become more exposed to foreign currency risk and may have some of our sales denominated in one or more currencies other than the U.S. dollar. If we become more exposed to currency fluctuations and are unable to successfully hedge against the risks associated with currency fluctuations, our results of operations could be materially and adversely affected.

***Certain of our market opportunity estimates, growth forecasts, and other metrics included in this prospectus could prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.***

Certain estimates and information contained in this prospectus, including general expectations concerning our industry and the market in which we operate, market opportunity, and market size, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Moreover, much of this information is based on information provided by third-party providers. Although we believe the information from such third-party sources is reliable, we have not independently verified the accuracy or completeness of the data contained in such third-party sources or the methodologies for collecting such data, and such information may also not prove to be accurate. If there are any limitations or errors with respect to such data or methodologies, our business opportunities may be limited, which could negatively affect our shares of Class A common stock. Even if the markets in which we compete meet the size estimates and growth forecasted in this prospectus, our business could fail to grow at similar rates, if at all.

***Any future litigation against us could be costly and time-consuming to defend.***

We may become subject to legal proceedings, investigations, and claims that arise in the ordinary course of business. For example, we may be subject to claims brought by customers in connection with commercial disputes or employment claims made by our current or former employees. Litigation can often be expensive, even when there is a successful outcome, and can divert management’s attention and resources, which could harm our business and financial condition. Any adverse outcome could also result in significant monetary damages or other types of unfavorable relief, which could harm our business as well as our reputation. Although we may have various insurance policies, insurance might not cover such claims or provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us, including premium increases or the imposition of large deductible or co-insurance requirements. In addition, we may also be subject to subpoena requests from third parties as well as governmental agencies from time to time that require us to provide certain information relating to matters targeted against other third parties, which can be time consuming.

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**Risks Related to Reliance on Infrastructure and Third Parties**

***We rely on third-party vendors and suppliers, including data center and hard drive providers, which may have limited sources of supply, and this reliance exposes us to potential supply and service disruptions that could harm our business.***

We depend on a limited number of third-party data centers and other providers to safely house our equipment and provide sufficient power, bandwidth, and other infrastructure needs to support our operations and cloud services. We also rely on key components for our platform, including hard drives and semiconductors, which come from limited sources of supply. For example, the 2011 Thailand floods decreased hard drive supply globally due to related manufacturing stoppages. A similar decrease in hard drive availability could negatively impact our operations. The COVID-19 pandemic as well as fluctuating demands in the cryptocurrency mining markets also have impacted, and could continue to impact, our ability to source components in a timely and cost-effective manner from third-party suppliers. For example, starting in April 2020, we began to acquire additional hard drives and related infrastructure through capital lease agreements in order to minimize the impact of potential supply chain disruptions due to the COVID-19 pandemic. The additional leased hard drives resulted in a higher balance of capital equipment and related lease liability, an increase in cash used in financing activities from principal payments, as well as a higher ongoing interest and depreciation expense related to these lease agreements. The semiconductor industry is also experiencing a global chip shortage due to the COVID-19 pandemic and various other factors. Any shortage of key components, including hard drives, could materially and adversely affect our ability to provide our cloud services, as well as negatively impact our financial results by increasing our costs, lease liabilities, interest and depreciation expenses, and inventory levels. Shortages or pricing fluctuations could be material in the future. In the event of a shortage, supply interruption, or material pricing change from our suppliers, we may be unable to develop alternate sources in a timely manner or at all. Developing alternate sources of supply for these infrastructure needs, and transitioning our customers’ data from provider to another, may be time-consuming, difficult, and costly and we may be unable to source them on terms that are acceptable to us, or at all, which may undermine our ability to scale our platform and harm our business.

***Our business depends, in part, on the success of our strategic relationships with third parties.***

To maintain and grow our business, we anticipate that we will continue to depend on relationships with third parties, such as channel partners and integrators. Identifying partners and negotiating and building relationships with them requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their services over us. In addition, any industry consolidation of such partners or integrators by our competitors or others could result in a decrease in the number of our current and potential customers, as these partners or integrators may no longer facilitate the adoption of our applications by potential customers. Interoperability between our platform and other third-party platforms is also important to our business. Further, some of our partners or integrators are or may become competitive with certain aspects of our cloud services and may elect to no longer integrate with, or support, our platform and cloud services. If we are unsuccessful in establishing or maintaining our relationships with such third parties and maintaining interoperability, our ability to compete in the marketplace or to grow our revenue could be impaired, and our business may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our cloud services or increased revenue.

***Our business is exposed to risks associated with online payment processing methods.***

Many of our customers pay for our cloud services and products using credit cards. We rely on internal systems as well as those of third parties to process payments. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as large re-issuances of payment cards, delays in receiving payments from payment processors, changes to rules or regulations concerning payment processing, loss of payment partners, and/or disruptions or failures in our payment processing systems or payment products, including products we use to update payment information, our revenue, operating expenses, and results of operation could be adversely impacted.

***We rely on third-party software for certain essential financial and operational services, and a failure or disruption in these services could materially and adversely affect our ability to manage our business effectively.***

We rely on third-party software to provide many essential financial and operational services to support our business, including HubSpot, NetSuite, PagerDuty, Stripe, and ZenDesk. Some of these vendors are less established and have shorter operating histories than traditional software vendors. Moreover, many of these vendors provide their services to us via a cloud-based model instead of software that is installed on our premises. As a result, we depend upon these vendors to provide us with services that are always available and are free of errors or defects that could cause disruptions in

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our business processes. Any failure by these vendors to do so, or any disruption in our ability to access the internet, would materially and adversely affect our ability to manage our operations, disrupt the delivery of our cloud services to customers, and affect other areas such as our ability to timely provide required financial reporting.

**Risks Related to Accounting and Tax Matters**

***We have identified material weaknesses in our internal controls over financial reporting, and the failure to achieve and maintain effective internal controls over financial reporting could harm our business and negatively impact the value of our Class A common stock.***

We have identified material weaknesses in our internal controls over financial reporting, and if we are not able to effectively remediate our material weaknesses or are otherwise unable to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or timely file our periodic reports. As a result, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our Class A common stock may be materially impacted.

Our management determined that as of December 31, 2019 we did not maintain effective internal controls over financial reporting, and identified four material weaknesses, specifically related to control activities, as follows:

* our controls were not operating effectively to allow sufficient and timely review of significant accounting transactions and reconciliations. These deficiencies resulted in errors in certain financial statement areas, such as cash and cash equivalents, prepaid expenses and other current assets, property and equipment, capitalized internal-use software, capital lease liability and sale leaseback transactions;
* our controls were not adequately designed to consider certain revenue recognition criteria, specifically related to the timing of revenue recognition, appropriate presentation and satisfaction of criteria for revenue recognition, which could have resulted in a material misstatement;
* our controls over certain equity transactions were not operating effectively to allow management to timely identify errors related to the recording of those transactions. Specifically, we did not have sufficient technical resources to appropriately identify errors in the accounting for equity awards and preferred stock transactions, resulting in misstatements relating to completeness and accuracy of stock-based compensation and classification of equity instruments; and
* our controls were not adequately designed to consider the accurate recording of value added taxes and sales and use taxes, resulting in misstatements.

Our management also determined that the above material weaknesses had not been remediated as of December 31, 2020 and as a result, we did not maintain effective internal control over financial reporting as of December 31, 2020.

We are working to remediate these material weaknesses through the development and implementation of processes and controls, as well as hiring additional personnel in our finance and accounting group. Specifically, we have:

* strengthened our internal controls over financial reporting and the design of our internal-control framework through enhanced accounting policies, control activities, and monitoring;
* implemented a new enterprise resource planning (ERP) system and other systems and processes related to revenue recognition and equity administration to increase capabilities over our financial statement recording and reporting processes;
* hired additional full-time accounting personnel with appropriate levels of experience to increase our accounting and technical expertise, including a new Chief Financial Officer, a Corporate Controller and an Internal Controls Manager; and
* reallocated responsibilities across our accounting organization so that the appropriate level of knowledge and experience is applied based on complexity of transactions.

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While we have made progress to enhance our internal controls over financial reporting, we are still in the process of implementing, documenting, and testing these processes, procedures, and controls. Additional time is required to complete implementation and to assess and evaluate the sufficiency of these procedures and related actions. We will continue to devote significant time and attention to these remediation efforts. However, these material weaknesses cannot be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

We cannot assure you that the measures we have taken to date will be sufficient to remediate the material weaknesses we identified or prevent additional material weaknesses in the future. Although we plan to complete this remediation, if the steps we take do not remediate the material weakness in a timely or sufficient manner, there could continue to be a reasonable possibility that these control deficiencies or others could result in a material misstatement of our annual or interim financial statements that would not be prevented or detected on a timely basis.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal controls over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal controls over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal controls over financial reporting could materially and adversely affect our business, results of operations, and financial condition and could cause a decline in the trading price of our Class A common stock.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, we may be unable to produce timely and accurate financial statements or comply with applicable regulations, which could negatively impact the price of our Class A common stock.***

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), the Sarbanes-Oxley Act, and the rules and regulations of the NASDAQ Global Market. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures and internal controls over financial reporting and expect that we will need to continue to expend significant resources, including accounting-related costs, and significant management oversight, to meet such requirements. However, our current controls and any new controls that we develop may not be adequate, and weaknesses in our disclosure controls may be discovered in the future. Additionally, we have identified material weaknesses in our internal controls over financial reporting, and additional such weaknesses may be discovered in the future. See “—We have identified material weaknesses in our internal controls over financial reporting, and the failure to achieve and maintain effective internal controls over financial reporting could harm our business and negatively impact the value of our Class A common stock.” Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal controls over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal controls over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal controls over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock.

***Because we recognize revenue from our subscription services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.***

We generally recognize revenue from customers of our subscription agreements related to data backup services ratably over the terms of their subscription agreements, a majority of which are one or two-year agreements. Accordingly, the corresponding revenue we report in each quarter from such arrangements is the result of subscription agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may only be partially reflected in our revenue results for that quarter. However, any such decline will

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negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our cloud services, and potential changes in our retention rate may not be fully reflected in our operating results until future periods. This subscription model also makes it difficult for us to rapidly increase our revenue through additional subscription sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

***Our operating results may be harmed if we are required to collect sales or other related taxes for our cloud services in jurisdictions where we have not historically done so.***

We collect sales and value-added tax in connection with our cloud services in a number of jurisdictions. One or more states or countries may seek to impose incremental or new sales, use, or other tax collection obligations on us, including for past sales by us or our resellers and other partners. Online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer’s state. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, or other taxes on our cloud services could, among other things, result in substantial tax liabilities for past sales, create significant administrative burdens for us, discourage users from purchasing our platform, or otherwise harm our business, results of operations, and financial condition.

***Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.***

As of December 31, 2020 we had net operating loss carryforwards for U.S. federal income tax purposes of $45.1 million available to offset future U.S. federal taxable income. Also, as of December 31, 2020, we had net operating loss carryforwards for state income tax purposes of $8.5 million available to offset future state taxable income. If not utilized, both the federal and state tax credit carryforwards will begin to expire in 2034.

Utilization of our net operating loss carryforwards and other tax attributes, such as research and development tax credits, may be subject to annual limitations, or could be subject to other limitations on utilization or benefit due to the ownership change limitations provided by Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the Code), and other similar provisions. Under Sections 382 and 383 of the Code, if a corporation undergoes an “ownership change,” our ability to use pre-change net operating loss carryforwards and other pre-change attributes, such as research tax credits, to offset post-change income may be limited. Similar rules may apply under state tax laws. At this time, we have not completed a study to assess whether such an ownership change has occurred, or whether there have been multiple ownership changes since our formation. We may experience ownership changes in the future as a result of subsequent changes in our stock ownership, some of which may be outside our control. Accordingly, our ability to utilize the aforementioned carryforwards may be limited.

Further, legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act (Tax Act), as modified by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) changed the federal rules governing net operating loss carryforwards. For net operating loss carryforwards arising in tax years beginning after December 31, 2017, the Tax Act limits a taxpayer’s ability to utilize such carryforwards to 80% of taxable income. In addition, net operating loss carryforwards arising in tax years ending after December 31, 2017 can be carried forward indefinitely, but carryback is generally prohibited. Net operating loss carryforwards generated before January 1, 2018 (which represent the substantial majority of our net operating losses) will not be subject to the Tax Act’s taxable income limitation and will continue to have a twenty-year carryforward period. Nevertheless, our net operating loss carryforwards and other tax assets could expire before utilization and could be subject to limitations, which could harm our business, revenue, and financial results.

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***If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes appearing elsewhere in this prospectus. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments involve those related to costs to be capitalized as internal-use software and their useful life; the useful lives of other long-lived assets; impairment considerations for long-lived assets; expected lease term for capital leases; calculation of the sales reserve; valuation of our common stock and stock options and accounting for taxes; including estimates for sales tax and value-added tax liability; deferred tax assets; valuation allowance; and uncertain tax positions among others. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions.

**Risks Related to Intellectual Property**

***Assertions by a third party that our cloud services infringe, misappropriate, or otherwise violate their intellectual property could subject us to costly and time-consuming litigation and adversely impact our business.***

There is frequent litigation in the software and technology industries based on allegations of infringement, misappropriation, or other violations of intellectual property rights. Some software and technology companies, including some of our competitors, as well as non-practicing entities, own patents and other intellectual property rights that they may use to assert claims against us. In our case, third parties have asserted, and may in the future assert, that we have infringed, misappropriated, or otherwise violated their patents or other intellectual property rights. For example, we have faced infringement claims from other non-practicing entities in the past. There may be intellectual property rights held by others, including issued or pending patents, that cover significant aspects of our technologies or solutions, and we cannot assure you that we are not infringing, misappropriating, or violating, and have not infringed, misappropriated, or violated, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future. In addition, as we face increasing competition and become increasingly visible as a publicly-traded company, or if we become more successful, the possibility of new third-party claims may increase.

Any claim that we have violated intellectual property or other proprietary rights of third parties, with or without merit, could be time-consuming and costly to address and resolve, could divert the time and attention of management and technical personnel from our business, could place limitations on our ability to use our current websites and technologies, and could result in an inability to market or provide all or a portion of our cloud services. Furthermore, we could be required to pay substantial monetary damages, including treble damages and attorneys’ fees if we are found to have willfully infringed a party’s intellectual property rights. We may also be required to enter into a royalty or licensing agreement that could include significant upfront and future licensing fees or expend significant resources to redesign our technologies or solutions, which efforts may not be timely or prove successful at all and require us to indemnify customers or other third parties. Royalty or licensing agreements may be unavailable on terms acceptable to us, or at all. If we cannot develop or license technology for any allegedly infringing aspect of our business, we could be forced to limit our cloud services and may be unable to compete effectively. Any of these events could have a material adverse effect on our business.

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***If we are unable to adequately establish, maintain, protect, and enforce our intellectual property and proprietary rights, our reputation may be harmed, we may be subject to litigation, and our business may be adversely affected.***

Our future success and competitive position depend in large part on our ability to establish, maintain, protect, and enforce our intellectual property and proprietary rights. We do not own any issued patents and rely on a combination of trademark, copyright, and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection and may not now or in the future provide us with a competitive advantage. The steps we have taken and will take may not prevent unauthorized use, reverse engineering, or misappropriation of our technologies and we may be unable to detect any of the foregoing. Furthermore, effective trademark, copyright, and trade secret protection may not be available in every country in which our cloud services are available. Our lack of patent protection may restrict our ability to protect our technologies and processes from competition. Defending and enforcing our intellectual property rights may result in litigation, which can be costly and divert management attention and resources. If our efforts to protect our technologies and intellectual property are inadequate, the value of our brand and other intangible assets may be diminished and competitors may be able to mimic our cloud services. Any of these events could have a material adverse effect on our business.

With respect to our technology platform, we consider trade secrets and know-how to be one of our primary sources of intellectual property. However, trade secrets and know-how can be difficult to protect. We seek to protect these trade secrets and other proprietary technology, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, outside contractors, consultants, advisors, and other third parties. We also enter into confidentiality and invention assignment agreements with our employees and consultants. The confidentiality agreements are designed to protect our proprietary information and, in the case of agreements or clauses containing invention assignment, to grant us ownership of technologies that are developed through a relationship with employees or third parties. We cannot guarantee that we have entered into such agreements with each party that may have or has had access to our trade secrets or proprietary information, including our technology and processes. Despite these efforts, no assurance can be given that the confidentiality agreements we enter into will be effective in controlling access to such proprietary information and trade secrets. The confidentiality agreements on which we rely to protect certain technologies may be breached, may not be adequate to protect our confidential information, trade secrets, and proprietary technologies and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, trade secrets or proprietary technology. Further, these agreements do not prevent our competitors or others from independently developing the same or similar technologies and processes, which may allow them to provide a service similar or superior to ours, which could harm our competitive position.

***Our use of “open-source” software could negatively affect our ability to sell our cloud services and subject us to possible litigation.***

A portion of the technologies used by us incorporates “open-source” software, and we may incorporate open-source software in the future. Such open-source software is generally licensed by its authors or other third parties under open-source licenses. Companies that incorporate open-source software into their solutions have, from time to time, faced claims challenging the use of open-source software and compliance with open-source license terms. These licenses may subject us to certain unfavorable conditions, including requirements that we offer all or parts of our technology or services that incorporate the open-source software at no cost, that we make publicly available source code for modifications or derivative works we create based upon, incorporating, or using the open-source software, and/or that we license such modifications or derivative works under the terms of the particular open-source licensor other license granting third parties certain rights of further use. Although we monitor our use of open-source software, we cannot assure you that all open-source software is reviewed prior to use in our cloud services, that our developers have not incorporated open-source software into our technology platform or services, or that they will not do so in the future. In the event that we become subject to such claims, we could be subject to significant damages, enjoined from the sale of our solutions that contained the open-source software, and required to comply with onerous conditions. In addition, the terms of open-source software licenses may require us to provide software that we develop using such open-source software to others on unfavorable license terms. As a result of our current or future use of open-source software, we may face claims or litigation, be required to release our proprietary source code, pay damages for breach of contract, re-engineer our solutions, discontinue making our solutions available in the event re-engineering cannot be accomplished on a timely basis or take other remedial action. Any such re-engineering or other remediation efforts could require significant additional research and development resources, and we may not be able to successfully complete any such re-engineering or other remediation efforts on a timely basis, or at all. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could disrupt the distribution and sale of our solutions and have a material adverse effect on our business and operating results.

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**Risks Related to Ownership of Our Class A Common Stock**

***The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our IPO, including our executive officers, employees, and directors and their affiliates, which will limit your ability to influence the outcome of important transactions, including a change in control.***

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. As of the completion of our initial public offering, stockholders who hold shares of our Class B common stock, including our executive officers, employees, and directors and their affiliates, collectively held approximately 97% of the voting power of our outstanding capital stock. Because of the ten-to-one voting ratio between our Class B

common stock and Class A common stock, the holders of our Class B common stock collectively control a majority of the combined voting power of our capital stock and therefore are able to control all matters submitted to our stockholders for approval so long as the shares of our Class B common stock represent at least 10% of all outstanding shares of our Class A common stock and Class B common stock. This concentrated control may have the effect of delaying, preventing, or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock.

Future transfers by holders of our Class B common stock will generally result in those shares converting into shares of our Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The conversion of shares of our Class B common stock into shares of our Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, any of our founders or other large existing stockholders that hold significant shares of Class B common stock retain a significant portion of their holdings of our Class B common stock for an extended period of time, they could control a significant portion of the voting power of our capital stock for the foreseeable future. For a description of the dual class structure, see the section titled “Description of Capital Stock” within our Prospectus.

***We cannot predict the impact our dual class structure may have on the market price of our Class A common stock.***

We cannot predict whether our dual class structure, combined with the concentrated control of our stockholders who hold our Class B common stock, including our executive officers, employees, and directors and their affiliates, will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple class share structures in certain of their indices. In July 2017, FTSE Russell and Standard & Poor’s announced that they would cease to allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Under the announced policies, our dual class capital structure would make us ineligible for inclusion in any of these indices. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

***Anti-takeover provisions contained in our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, as well as provisions of Delaware law, could impair a takeover attempt.***

Our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws, and Delaware law contain provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our Board of Directors. Among other things, our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws include provisions:

* creating a classified Board of Directors whose members serve staggered three-year terms;
* authorizing “blank check” preferred stock, which could be issued by our Board of Directors without stockholder approval and may contain voting, liquidation, dividend, and other rights superior to our common stock;
* limiting the liability of, and providing indemnification to, our directors and officers;

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* limiting the ability of our stockholders to call and bring business before special meetings;
* requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board of Directors;
* controlling the procedures for the conduct and scheduling of Board of Directors and stockholder meetings; and
* authorizing two classes of common stock, as discussed above.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents certain stockholders holding more than 15% of our outstanding capital stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such stockholder. Any provision of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws, or Delaware law that has the effect of delaying, preventing, or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

***The market price of our Class A common stock has been, and will likely continue to be, volatile, and you could lose all or part of your investment.***

Prior to the listing of our Class A common stock, there was no public market for shares of our Class A common stock. Since our IPO, the stock price of our Class A common stock has experienced volatility and the market prices of securities of other newly public companies have historically been highly volatile. The market price of our Class A common stock could be subject to wide fluctuations in response to various factors, including those listed in this Quarterly Report on Form 10-Q, some of which are beyond our control and may not be related to our operating performance.

Fluctuations in the price of our Class A common stock could cause you to lose all or part of your investment because you may be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the market price of our Class A common stock include the following:

* price and volume fluctuations in the overall stock market from time to time;
* volatility in the market prices and trading volumes of technology stocks;
* the impact of the COVID-19 pandemic;
* changes in operating performance and stock market valuations of other technology companies generally or those in our industry in particular;
* sales of shares of our Class A common stock by us or our stockholders;
* failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
* the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
* announcements by us or our competitors of new products or services;
* the public’s reaction to our press releases, other public announcements, and filings with the SEC;
* rumors and market speculation involving us or other companies in our industry;
* actual or anticipated changes in our operating results or fluctuations in our operating results;

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* actual or anticipated developments in our business, our competitors’ businesses, or the competitive landscape generally;
* litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
* developments or disputes concerning our intellectual property or other proprietary rights;
* announced or completed acquisitions of businesses or technologies by us or our competitors;
* new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
* changes in accounting standards, policies, guidelines, interpretations, or principles;
* any significant change in our management; and
* general economic conditions and slow or negative growth of our markets.
* general economic conditions and slow or negative growth of our markets.

***We may be subject to securities litigation, which is expensive and could divert our management’s attention.***

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company’s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management’s attention and resources.

***We may fail to meet our publicly announced guidance or other expectations about our business, which could cause our stock price to decline.***

We may provide from time to time guidance regarding our expected financial and business performance, which may include projections regarding sales and production, as well as anticipated future revenues, gross margins, profitability, and cash flows. Correctly identifying key factors affecting business conditions and predicting future events is inherently an uncertain process, and our guidance may not ultimately be accurate and has in the past been inaccurate in certain respects, such as the timing of new products. Our guidance is based on certain assumptions such as those relating to anticipated production and sales, average sales prices, supplier and commodity costs, and planned cost reductions. If our guidance is not accurate or varies from actual results due to our inability to meet our assumptions or the impact on our financial performance that could occur as a result of various risks and uncertainties, the market value of our Class A common stock could decline significantly.

***Sales of a substantial number of our Class A common stock in the public market could cause our share price to fall.***

The market price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock in the market, and the perception that these sales could occur may also depress the market price of our Class A common stock.

All of the shares of Class A common stock sold in our IPO are freely tradable without restrictions or further registration under the Securities Act of 1933, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act.

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In connection with our IPO in November 2021, our executive officers, directors and the holders of substantially all of our capital stock and securities convertible into or exchangeable for our capital stock have entered into market standoff agreements with us entered into lock-up agreements with the underwriters of our IPO under which they have agreed, subject to specific exceptions, not to sell any of our capital stock for 180 days following November 10, 2021, other than in the case of shares of Class A common stock to be issued upon the automatic conversion of our convertible notes (which we also refer to as a Simple Agreement for Future Equity agreement (SAFE)), without first obtaining the written consent of Oppenheimer & Co. Inc., subject to certain exceptions. As a result of these agreements, the provisions of our investors’ rights agreement described further in the section titled “Description of Capital Stock—Registration Rights” in our Prospectus and the provisions of Rule 144 or Rule 701 under the Securities Act of 1933, as amended (the Securities Act), shares of our capital stock will be available for sale in the public market as follows:

* beginning 90 days after November 10, 2021, two-thirds of the shares of Class A common stock to be issued upon automatic conversion of our convertible notes will become eligible for sale in the public market (or approximately 483,000 shares);
* at the commencement of trading on the second day following our earnings announcement for the fourth quarter and year ended December 31, 2021, up to 15% of the vested shares held by our founders, executive officers, directors and greater than 10% stockholders, and up to 20% of the vested shares held by our other employees, consultants and independent contractors, will be eligible for sale in the public market, subject, in each case to meeting certain stock price performance requirements and notification requirements set forth in the lock-up agreements; and
* beginning 181 days after November 10, 2021, if not earlier released, the remainder of the shares of our capital stock will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144 and our insider trading policy.

Following the expiration of the lock-up agreements referred to above, stockholders owning an aggregate of up to 4,066,595 shares of our Class B common stock can require us to register shares of our capital stock owned by them for public sale in the United States. In addition, we have filed a registration statement on Form S-8, which was immediately effective upon filing, to register approximately 19,000,000 shares of our capital stock reserved for future issuance under our equity compensation plans. Subject to the satisfaction of applicable exercise periods and expiration of the market standoff agreements and lock-up agreements referred to above, the shares of our capital stock issued upon exercise of outstanding options to purchase shares of our Class B common stock or that settle upon vesting of restricted stock units will be available for immediate resale in the United States in the open market.

Furthermore, in connection with our IPO, we agreed with the underwriters, subject to certain exceptions set forth in the section titled “Underwriting” in the Prospectus, without the prior written consent of Oppenheimer & Co. Inc., not to issue, sell or register with the Commission (other than on Form S-8 or on any successor form), or otherwise dispose of, directly or indirectly, any of our equity securities (or any securities convertible into, exercisable for or exchangeable for our equity securities), for 180 days following November 10, 2021. Subject to the foregoing, we may issue additional shares of our Class A common stock, convertible securities or other equity. Such issuances could be dilutive to investors and could cause the price of shares of our Class A common stock to decline. New investors in such issuances could also receive rights senior to those of holders of shares of our Class A common stock.

Sales of our Class A common stock as restrictions end or pursuant to registration rights may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the market price of our Class A common stock to fall and make it more difficult for you to sell shares of our Class A common stock.

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***If securities or industry analysts do not publish or cease publishing research or reports about us, our business, our market, or our competitors, or if they adversely change their recommendations regarding our Class A common stock, the market price of our Class A common stock and trading volume could decline.***

The trading market for our Class A common stock will be influenced by the research and reports that securities or industry analysts may publish about us, our business, our market, or our competitors. If any of the analysts who may cover us adversely change their recommendations regarding our Class A common stock or provide more favorable recommendations about our competitors, the market price of our Class A common stock would likely decline. If any of the analysts who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price of our Class A common stock or trading volume to decline.

***We do not expect to declare any dividends in the foreseeable future.***

We do not anticipate declaring any cash dividends to holders of our Class A common stock in the foreseeable future. Consequently, investors may need to rely on sales of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase shares of our Class A common stock.

***Our Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America are the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America are the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees. Specifically, our Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum provision for: (i) any derivative action or proceeding brought on behalf of us; (ii) any action asserting a claim of breach of a fiduciary duty; (iii) any action arising pursuant to any provision of the DGCL, our Amended and Restated Certificate of Incorporation or Amended and Restated Bylaws (as either may be amended from time to time); (iv) any action to interpret, apply, enforce, or determine the validity of our Amended and Restated Certificate of Incorporation or our Amended and Restated Bylaws; (v) any action asserting a claim against us that is governed by the internal affairs doctrine; or (vi) any action asserting an “internal corporate claim” as defined in the DGCL.

These exclusive forum provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act.

Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our Amended and Restated Certificate of Incorporation further provides that the U.S. federal district courts are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our Amended and Restated Certificate of Incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive-forum provisions may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees. If a court were to find any of the exclusive forum provisions of our Amended and Restated Certificate of Incorporation to be inapplicable to or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

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***The requirements of being a public company, particularly after we are no longer an “emerging growth company”, may strain our resources, require us to incur substantial costs and will require substantial management attention.***

As a public company, and particularly after we cease to be an “emerging growth company”, we have incurred and will continue to incur substantial legal, accounting, and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Exchange Act, the applicable requirements of the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rules and regulations of the SEC, and the listing standards of the NASDAQ Global Market. For example, the Exchange Act requires, among other things, we file annual, quarterly, and current reports with respect to our business, financial condition, and results of operations. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, and increase demand on our systems, particularly after we are no longer an emerging growth company. In addition, as a public company, we may be subject to stockholder activism, which can lead to additional substantial costs, distract management, and impact the manner in which we operate our business in ways we cannot currently anticipate. As a result of disclosure of information in filings required of a public company, our business and financial condition has become more visible, which may result in threatened or actual litigation, including by competitors.

Some members of our management team also have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition, and results of operations.

***Our failure to timely and effectively implement controls and procedures required by Section 404(a) of the Sarbanes-Oxley Act could have a material adverse effect on our business.***

As a public company, we are required to provide management’s assessment regarding internal control over financial reporting in our second Annual Report on Form 10-K. The standards required for a public company under Section 404(a) of the Sarbanes-Oxley Act are significantly more stringent than those required of us as a private company. Management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that became applicable after transitioning from a private company. If we are not able to implement the additional requirements of Section 404(a) in a timely manner or with adequate compliance, we may not be able to assess whether our internal controls over financial reporting are effective, which may subject us to adverse regulatory consequences and could harm investor confidence and the market price of our securities.

**ITEM 2. UNREGSTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Recent Sales of Unregistered Equity Securities**

From January 1, 2021 through November 12 2021 (the date of the filing of our registration statement on Form S-8), we granted to our directors, officers and employees options to purchase an aggregate of 2,994,120 shares of Class B common stock under our 2011 Stock Plan, with a weighted-average per share exercise price of $7.16, and we issued 420,120 shares of Class B common stock upon exercise of stock options under our 2011 Stock Plan at exercise prices ranging from $0.21 to $3.73 per share.

In August 2021, we issued $10.0 million of convertible notes in a private financing round. We also refer to these convertible notes security as a Simple Agreement for Future Equity agreement (SAFE). Pursuant to their terms, the SAFE notes were automatically convertible into shares of our Class

A common stock upon the completion of our IPO at a discounted price to the value of our common stock at the time of such event. The discount was initially equal to 10% and was to be increased by an additional 10% annually following the effective date of the agreement, subject to a maximum discount of 50%. The discount was to be adjusted pro-rata on a monthly basis, increasing on the monthly anniversary of the effective date of the agreement. Interest accrued at the simple rate of 5% per annum of the outstanding amount commencing upon the effective date of the agreement and continuing until the outstanding principal amount has been paid in full or converted. The accrued interest was added to the purchased amount upon conversion into equity. Upon the closing of our IPO, the SAFE notes automatically converted into approximately 725,000 shares of our Class A common stock, using a discount of approximately 12%.

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The foregoing transactions did not involve any underwriters, any underwriting discounts or commissions, or any public offering. We believe the offers, sales, and issuances of the securities described above were exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder or Rule 701 promulgated under the Securities Act as transactions by an issuer not involving a public offering or under benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. All recipients had adequate access through their relationships with us, or otherwise to information about us. The issuances of these securities were made without any general solicitation or advertising.

**Use of Proceeds**

The Registration Statement on Form S-1 (File No. 333-260333) for the IPO was declared effective by the SEC on November 10, 2021. The Registration Statement on Form S-1 registered an aggregate of 7,187,500 shares of our Class A common stock. In November 2021, we closed the IPO, in which we sold 7,187,500 shares of our Class A common stock at a public offering price of $16.00 per share for an aggregate offering price of $115.0 million. We received proceeds of approximately $103 million after deducting the underwriting discounts and commissions and offering expenses. Upon completion of the sale of the shares of our Class A common stock referenced in the preceding sentences, the IPO terminated.

The managing underwriters of our IPO were Oppenheimer & Co. Inc., William Blair & Company L.L.C. and Raymond James & Associates, Inc. We incurred underwriting discounts and commissions totaling approximately $8.1 million. No payments were made by us to directors, officers, or persons owing ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries and non-employee directors pursuant to our director compensation policy. We have invested or intend to invest the net offering proceeds in a variety of capital preservation investments, including short-term interest-bearing investment-grade securities, certificates of deposit, or government securities. There has been no material change in the planned use of proceeds from our IPO as described in our Prospectus.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | **Incorporated by Reference** | | |  |  |  |
| **Exhibit** |  |  | **Description** | | | | | | | | |  | **Form** | **File** | **Exhibit** | **Filing Date** | **Filed** |  |
| **Number** |  |  |  |  |  |  |  |  |  |  |  |  |  | **No.** |  |  | **Herewith** |  |
| 3.1 | [Amended and Restated Certificate of Incorporation.](#page66) | | | | | | | | | | |  |  |  |  |  | X |  |
| 3.2 | [Amended and Restated Bylaws.](#page81) | | | | | | |  | | | |  |  |  |  |  | X |  |
|  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |
| 10.1 | [Form of Indemnification Agreement by and between the](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521301141/d62601dex101.htm) | | | | | | | | | | |  | S-1 | 333- | 10.1 | 10/18/2021 |  |  |
|  | [Registrant and each of its directors and executive](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521301141/d62601dex101.htm) | | | | | | | | | |  |  |  | 260333 |  |  |  |  |
|  | [officers.](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521301141/d62601dex101.htm) |  | | | |  |  | |  |  | |  |  |  |  |  |  |  |
| 10.2 | [2021 Equity Incentive Plan and form of agreements](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521316078/d62601dex103.htm) | | | | | | | | | | |  | S-1 | 333- | 10.3 | 11/02/2021 |  |  |
|  | [thereunder.](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521316078/d62601dex103.htm) | |  | | | |  | |  |  | |  |  | 260333 |  |  |  |  |
| 10.3 | [2021 Employee Stock Purchase Plan.](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521316078/d62601dex104.htm) | | | |  | | | | | | |  | S-1 | 333- | 10.4 | 11/02/2021 |  |  |
| 10.4† | [Loan and Security Agreement, dated October 21, 2021,](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521316078/d62601dex106.htm) | | | | | | | | | | |  | S-1 | 260333 | 10.6 | 11/02/2021 |  |  |
|  | 333- |  |  |
|  | [by and between the company and City National Bank.](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521316078/d62601dex106.htm) | | | | | | | | |  | |  |  | 260333 |  |  |  |  |
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10.5 | [Form of Simple Agreement for Future Equity, by and](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521301141/d62601dex107.htm) | | | | | | | | | | | | | S-1 | 333- | 10.7 | 10/18/2021 |
|  | [between the Company and certain of its investors.](https://www.sec.gov/Archives/edgar/data/0001462056/000119312521301141/d62601dex107.htm) | | | | |  |  |  |  |  |  |  |  |  | 260333 |  |  |
|  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |
| 31.1 | [Certification of Principal Executive Officer Pursuant to](#page113) | | | | | | | | | | | | |  |  |  | X |
|  | [Rules 13a-14(a) and 15d-14(a) under the Securities](#page113) | | | |  | | | |  |  |  |  |  |  |  |  |  |
|  | [Exchange Act of 1934, as Adopted Pursuant to Section](#page113) | | | | | | | | | | | | |  |  |  |  |
|  | [302 of the Sarbanes-Oxley Act of 2002.](#page113) | |  | | | | |  | |  |  |  |  |  |  |  |  |
| 31.2 | [Certification of Principal Financial Officer Pursuant to](#page114) | | | | | | | | | | | | |  |  |  | X |
|  | [Rules 13a-14(a) and 15d-14(a) under the Securities](#page114) | | | |  | |  | | |  |  |  |  |  |  |  |  |
|  | [Exchange Act of 1934, as Adopted Pursuant to Section](#page114) | | | | | | | | | | | | |  |  |  |  |
|  | [302 of the Sarbanes-Oxley Act of 2002.](#page114) | |  | | | | |  | |  |  |  |  |  |  |  |  |
| 32.1\* | [Certification of Principal Executive Officer Pursuant to](#page115) | | | | | | | | | | | | |  |  |  | X |
|  | [18 U.S.C. Section 1350, as Adopted Pursuant to Section](#page115) | | | | | | | | |  |  |  |  |  |  |  |  |
|  | [906 of the Sarbanes-Oxley Act of 2002.](#page115) | |  | | | | | | | |  |  |  |  |  |  |  |
| 32.2\* | [Certification of Principal Financial Officer Pursuant to 18](#page116) | | | | | | | | | | | | |  |  |  | X |
|  | [U.S.C. Section 1350, as Adopted Pursuant to Section 906](#page116) | | | | | | | | | | | |  |  |  |  |  |
|  | [of the Sarbanes-Oxley Act of 2002.](#page116) | | | | | | | | | | |  | |  |  |  |  |
|  |  |  | | | | | | | | | | | |  |  |  |  |
| 101.INS | Inline XBRL Instance Document - the instance document | | | | | | | | | | | | |  |  |  | X |
|  | does not appear in the Interactive Data File because | | | | | | | | | | | | |  |  |  |  |
|  | XBRL tags are embedded within the Inline XBRL | | | | | | | | | | | | |  |  |  |  |
|  | document. | | | | | | | | | | | | |  |  |  |  |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | | | | | | | | | | | | |  |  |  | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase | | | | | | | | | | | | |  |  |  | X |
|  | Document | | | | | | | | | | | | |  |  |  |  |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase | | | | | | | | | | | | |  |  |  | X |
|  | Document | | | | | | | | | | | | |  |  |  |  |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase | | | | | | | | | | | | |  |  |  | X |
|  | Document | | | | | | | | | | | | |  |  |  |  |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase | | | | | | | | | | | | |  |  |  | X |
|  | Document | | | | | | | | | | | | |  |  |  |  |
| 104 | Cover Page Interactive Data File (formatted as inline | | | | | | | | | | | | |  |  |  | X |
|  | XBRL and contained in Exhibit 101) | | | | | | | | | | | | |  |  |  |  |

* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Backblaze, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.
* Pursuant to Item 601(a)(5) of Regulation S-K, certain exhibits and schedules to this agreement have been omitted. The Company hereby agrees to furnish supplementally to the Securities and Exchange Commission, upon its request, any or all of such omitted exhibits and/or schedules.

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**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 thereunto duly authorized.

Date: December 14, 2021

**Backblaze, Inc.**

/s/ Gleb Budman

Gleb Budman

Chief Executive Officer and Chairperson

(*Principal Executive Officer)*

/s/ Frank Patchel

Frank Patchel

Chief Financial Officer

(*Principal Financial and Accounting Officer)*

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**BACKBLAZE, INC.**

**RESTATED CERTIFICATE OF INCORPORATION**

Backblaze, Inc., a Delaware corporation, hereby certifies as follows:

1. The name of this corporation is Backblaze, Inc. The date of the filing of its original Certificate of Incorporation with the Secretary of State was April 20, 2007.
2. The Restated Certificate of Incorporation of this corporation is attached hereto as Exhibit A, which is incorporated herein by this reference, and which restates, integrates and further amends the provisions of the Certificate of Incorporation of this corporation, as previously amended and/or restated. The Restated Certificate of Incorporation has been duly adopted by this corporation’s Board of Directors and duly approved by the stockholders in accordance with Sections 242 and 245 and any other applicable sections of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, this corporation has caused this Restated Certificate of Incorporation to be signed by its duly authorized officer and the foregoing facts stated herein are true and correct.

Date: November 15, 2021 **BACKBLAZE, INC.**

By: /s/ Gleb Budman



Name: Gleb Budman

Title: Chief Executive Officer

**EXHIBIT A**

**BACKBLAZE, INC.**

**RESTATED CERTIFICATE OF INCORPORATION**

**ARTICLE I:**

**NAME**

The name of this corporation is Backblaze, Inc. (the “***Corporation***”).

**ARTICLE II:**

**AGENT FOR SERVICE OF PROCESS**

The address of the registered office of the Corporation in the State of Delaware is 3500 South DuPont Highway, City of Dover, County of Kent. The name of the registered agent at such address is Incorporating Services LTD.

**ARTICLE III:**

**PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (the “***General Corporation*** ***Law***”).

**ARTICLE IV:**

**AUTHORIZED STOCK**

1. **Total Authorized**.

**1.1** The total number of shares of all classes of stock that the Corporation has authority to issue is 160,000,000shares, consisting of three classes: 113,000,000 shares of Class A Common Stock, $0.0001 par value per share (“***Class A*** ***Common Stock***”), 37,000,000 shares of Class B Common Stock, $0.0001 par value per share (“***Class B Common Stock***” andtogether with the Class A Common Stock, the “***Common Stock***”), and 10,000,000 shares of Preferred Stock, $0.0001 par value per share (the “***Preferred Stock***”).

**1.2** The number of authorized shares of Class A Common Stock or Class B Common Stock may be increasedor decreased (but not below the number of shares thereof then outstanding) by the affirmative vote (or written consent if action by written consent of stockholders is permitted at such time under this Restated Certificate of Incorporation) of the holders of capital stock representing a majority of the voting power of all the then-outstanding shares of capital stock of the Corporation entitled to vote thereon, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law, and no vote of the holders of the Class A Common Stock or Class B Common Stock voting separately as a class shall be required therefor.

1. **Preferred Stock**.

**2.1** The Corporation’s Board of Directors (“***Board of Directors***”) is authorized, subject to any limitationsprescribed by the law of the State of Delaware, by resolution or resolutions adopted from time to time, to provide for the issuance of shares of Preferred Stock in one or more series, and, by filing a certificate of designation pursuant to the applicable law of the State of Delaware (“***Certificate of Designation***”), to establish from time to

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time the number of shares to be included in each such series, to fix the designation, powers (including voting powers), preferences and relative, participating, optional or other special rights (and the qualifications, limitations or restrictions thereof) of the shares of each such series and, except where otherwise provided in the applicable Certificate of Designation, to increase (but not above the total number of authorized shares of the Preferred Stock) or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote (or written consent if action by written consent of stockholders is permitted at such time under this Restated Certificate of Incorporation) of the holders of a majority of the voting power of all the then-outstanding shares of capital stock of the Corporation entitled to vote thereon, without a separate vote of the holders of the Preferred Stock, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law, unless a separate vote of the holders of one or more series of Preferred Stock is required pursuant to the terms of any Certificate of Designation.

**2.2** Except as otherwise expressly provided in any Certificate of Designation designating any series ofPreferred Stock pursuant to the foregoing provisions of this Article IV, (i) any new series of Preferred Stock may be designated, fixed and determined as provided herein by the Board of Directors without approval of the holders of Class A Common Stock, Class B Common Stock or the holders of Preferred Stock, or any series thereof, and (ii) any such new series may have powers, preferences and rights, including, without limitation, voting powers, dividend rights, liquidation rights, redemption rights and conversion rights, senior to, junior to or pari passu with the rights of the Class A Common Stock, Class B Common Stock, any series of the Preferred Stock, or any future class or series of capital stock of the Corporation.

1. **Rights of Class A Common Stock and Class B Common Stock**.

**3.1 Equal Status**. Except as otherwise provided in this Restated Certificate of Incorporation or required byapplicable law, shares of Class A Common Stock and Class B Common Stock shall have the same rights and powers, rank equally (including as to dividends and distributions, and upon any liquidation, dissolution or winding up of the Corporation), share ratably and be identical in all respects and as to all matters.

**3.2** **Voting Rights**.

**3.2.1** Except as required by applicable law, each holder of Class A Common Stock shall have theright to one (1) vote per share of Class A Common Stock held of record by such holder and each holder of Class B Common Stock shall have the right to ten (10) votes per share of Class B Common Stock held of record by such holder.

**3.2.2** Except as otherwise expressly provided by this Restated Certificate of Incorporation or asprovided by applicable law, the holders of shares of Class A Common Stock and Class B Common Stock shall (a) at all times vote together as a single class on all matters (including the election of directors) submitted to a vote or for the consent (if action by written consent of stockholders is permitted at such time under this Restated Certificate of Incorporation) of the stockholders of the Corporation, (b) be entitled to notice of any stockholders’ meeting in accordance with the Bylaws of the Corporation (as the same may be amended and/or restated from time to time, the “***Bylaws***”) and (c) be entitled to vote upon such matters and in such manner as may be provided by applicable law; provided, however, that, except as otherwise required by applicable law, holders of shares of Class A Common Stock and Class B Common Stock shall not be entitled to vote on any amendment to this Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class

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with the holders of one or more other such series, to vote thereon pursuant to this Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock).

**3.3 Dividends and Distribution Rights**. Shares of Class A Common Stock and Class B Common Stock shallbe treated equally, identically and ratably, on a per share basis, with respect to any dividends or distributions as may be declared and paid from time to time by the Board of Directors out of any assets of the Corporation legally available therefor; provided, however, that in the event a dividend is paid in the form of shares of Class A Common Stock or Class B Common Stock (or rights to acquire such shares), then holders of Class A Common Stock shall receive shares of Class A Common Stock (or rights to acquire such shares, as the case may be) and holders of Class B Common Stock shall receive shares of Class B Common Stock (or rights to acquire such shares, as the case may be), with holders of shares of Class A Common Stock and Class B Common Stock receiving, on a per share basis, an identical number of shares of Class A Common Stock or Class B Common Stock, as applicable. Notwithstanding the foregoing, the Board of Directors may pay or make a disparate dividend or distribution per share of Class A Common Stock or Class B Common Stock (whether in the amount of such dividend or distribution payable per share, the form in which such dividend or distribution is payable, the timing of the payment, or otherwise) if such disparate dividend or distribution is approved in advance by the affirmative vote (or written consent if action by written consent of stockholders is permitted at such time under this Restated Certificate of Incorporation) of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

**3.4 Subdivisions, Combinations or Reclassifications**. Shares of Class A Common Stock or Class B CommonStock may not be subdivided, combined or reclassified unless the shares of the other class are concurrently therewith proportionately subdivided, combined or reclassified in a manner that maintains the same proportionate equity ownership between the holders of the outstanding Class A Common Stock and Class B Common Stock on the record date for such subdivision, combination or reclassification; provided, however, that shares of one such class may be subdivided, combined or reclassified in a different or disproportionate manner if such subdivision, combination or reclassification is approved in advance by the affirmative vote (or written consent if action by written consent of stockholders is permitted at such time under this Restated Certificate of Incorporation) of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

**3.5 Liquidation, Dissolution or Winding Up**. Subject to the preferential or other rights of any holders ofPreferred Stock then outstanding, upon the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, holders of Class A Common Stock and Class B Common Stock will be entitled to receive ratably all assets of the Corporation available for distribution to its stockholders unless disparate or different treatment of the shares of each such class with respect to distributions upon any such liquidation, dissolution or winding up is approved in advance by the affirmative vote (or written consent if action by written consent of stockholders is permitted at such time under this Restated Certificate of Incorporation) of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

**3.6 Merger or Consolidation**. In the case of any distribution or payment in respect of the shares of Class ACommon Stock or Class B Common Stock upon the merger or consolidation of the Corporation with or into any other entity, or in the case of any other transaction having an effect on stockholders substantially similar to that resulting from a merger

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or consolidation, such distribution or payment shall be made ratably on a per share basis among the holders of the Class A Common Stock and Class B Common Stock as a single class; provided, however, that shares of one such class may receive different or disproportionate distributions or payments in connection with such merger, consolidation or other transaction if (i) the only difference in the per share distribution to the holders of the Class A Common Stock and Class B Common Stock is that any securities distributed to the holder of a share Class B Common Stock have ten (10) times the voting power of any securities distributed to the holder of a share of Class A Common Stock, or (ii) such merger, consolidation or other transaction is approved by the affirmative vote (or written consent if action by written consent of stockholders is permitted at such time under this Restated Certificate of Incorporation) of the holders of a majority of the outstanding shares of Class A Common Stock and Class B Common Stock, each voting separately as a class.

**3.7 Class B Protective Provisions**. So long as any shares of Class B Common Stock remain outstanding, theCorporation shall not, without the approval by vote or written consent of the holders of a majority of the voting power of the Class B Common Stock then outstanding, voting as a separate class, directly or indirectly, or whether by amendment, or through merger, recapitalization, consolidation or otherwise:

1. amend, alter, or repeal any provision of the Certificate of Incorporation or the Bylaws that modifies the voting, conversion or other powers, preferences, or other special rights or privileges, or restrictions of the Class B Common Stock; or
2. reclassify any outstanding shares of Class A Common Stock of the Corporation into shares having rights as to dividends or liquidation that are senior to the Class B Common Stock or the right to more than one (1) vote for each share thereof.

**ARTICLE V:**

**CLASS B COMMON STOCK CONVERSION**

1. **Optional Conversion**. Each share of Class B Common Stock shall be convertible into one (1) fully paidand nonassessable share of Class A Common Stock at the option of the holder thereof at any time upon written notice to the Corporation. Before any holder of Class B Common Stock shall be entitled to convert any of such holder’s shares of such Class B Common Stock into shares of Class A Common Stock, such holder shall deliver an instruction, duly signed and authenticated in accordance with any procedures set forth in the Bylaws or any policies of the Corporation then in effect, at the principal corporate office of the Corporation or of any transfer agent for the Class B Common Stock, and shall give written notice to the Corporation at its principal corporate office of such holder’s election to convert the same and shall state therein the name or names in which the shares of Class A Common Stock issuable on conversion thereof are to be registered on the books of the Corporation. The Corporation shall, as soon as practicable thereafter, register on the Corporation’s books ownership of the number of shares of Class A Common Stock to which such record holder of Class B Common Stock, or to which the nominee or nominees of such record holder, shall be entitled as aforesaid. Such conversion shall be deemed to have occurred immediately prior to the close of business on the date such notice of the election to convert is received by the Corporation, and the person or persons entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Class A Common Stock as of such date.
2. **Automatic Conversion of all Outstanding Class B Common Stock**. Each share of Class B CommonStock shall automatically, without further action by the Corporation or the holder thereof, be converted into one (1) fully paid and nonassessable share of Class A Common Stock immediately prior to the close of business on the earliest to occur of: (i)

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the date that is seven (7) years after the Initial Public Offering Closing (as defined below), (ii) the date on which the outstanding shares of Class B Common Stock represent less than ten (10%) of the aggregate number of shares of Class A Common Stock and Class B Common Stock then outstanding, or (iii) the date specified by the affirmative vote of the holders of Class B Common Stock representing a majority of the outstanding shares of Class B Common Stock, voting as a separate class (each event referred to in (i), (ii) and (iii) is referred to herein as a “***Final Automatic Conversion***”). The Corporation shall provide notice of the Final Automatic Conversion of shares of Class B Common Stock pursuant to this Section 2 of Article V to record holders of such shares of Class B Common Stock as soon as practicable following the Final Automatic Conversion. Such notice shall be provided by any means then permitted by the General Corporation Law; provided, however, that no failure to give such notice nor any defect therein shall affect the validity of the Final Automatic Conversion. Upon and after the Final Automatic Conversion, the person registered on the Corporation’s books as the record holder of the shares of Class B Common Stock so converted immediately prior to the Final Automatic Conversion shall be registered on the Corporation’s books as the record holder of the shares of Class A Common Stock issued upon the Final Automatic Conversion of such shares of Class B Common Stock, without further action on the part of the record holder thereof. Immediately upon the effectiveness of the Final Automatic Conversion, the rights of the holders of shares of Class B Common Stock as such shall cease, and the holders shall be treated for all purposes as having become the record holder or holders of such shares of Class A Common Stock into which such shares of Class B Common Stock were converted.

1. **Conversion on Transfer**. Each share of Class B Common Stock shall automatically, without further actionby the Corporation or the holder thereof, be converted into one (1) fully paid and nonassessable share of Class A Common Stock, upon the occurrence of (i) a Transfer (as defined below), other than a Permitted Transfer (as defined below), of such share of Class B Common Stock or (ii) the death of the holder of such share if such holder is a natural person.
2. **Policies and Procedures**. The Corporation may, from time to time, as it may deem necessary or advisable,establish such policies and procedures, not in violation of applicable law or this Restated Certificate of Incorporation or the Bylaws, relating to the conversion of shares of the Class B Common Stock into shares of Class A Common Stock. If the Corporation has reason to believe that a Transfer that is not a Permitted Transfer has occurred, the Corporation may request that the purported transferor furnish affidavits or other evidence to the Corporation as it reasonably deems necessary to determine whether a Transfer that is not a Permitted Transfer has occurred, and if such transferor does not within ten (10) days after the date of such request furnish sufficient evidence to the Corporation (in the manner provided in the request) to enable the Corporation to determine that no such Transfer has occurred, any such shares of Class B Common Stock, to the extent not previously converted, shall be automatically converted into shares of Class A Common Stock at the close of business on the tenth (10th) day following such request, and such conversion shall thereupon be registered on the books and records of the Corporation. In connection with any action of stockholders taken at a meeting, the stock ledger of the Corporation shall be presumptive evidence as to who are the stockholders entitled to vote in person or by proxy at any meeting of stockholders and the classes of shares held by each such stockholder and the number of shares of each class held by such stockholder.
3. **Definitions**.
4. “***Change in Control Transaction***” shall mean the occurrence of any of the following events:
   1. the sale, lease, exchange, encumbrance or other disposition (other than licenses that do not constitute an effective disposition of all or substantially all of the assets

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of the Corporation and its subsidiaries taken as a whole, and the grant of security interests in the ordinary course of business) by the Corporation of all or substantially all of the Corporation’s assets; or

* 1. the merger or consolidation of the Corporation with or into any other entity, other than a merger or consolidation that would result in the Class B Common Stock of the Corporation outstanding immediately prior thereto representing (either by remaining outstanding or by being converted into voting securities of the surviving entity or its sole parent entity) more than fifty percent (50%) of the total voting power represented by the voting securities of the Corporation or such surviving entity or its sole parent entity outstanding immediately after such merger or consolidation.

1. “***Convertible Security***” shall mean any evidences of indebtedness or other securities (other than shares of Class B Common Stock) convertible into or exchangeable for Class B Common Stock, either directly or indirectly.
2. “***Securities Act***” shall mean the Securities Act of 1933, as amended.
3. “***Family Member***” shall mean with respect to any natural person who is a Qualified Stockholder, the spouse, domestic partner, parents, grandparents, lineal descendants, siblings and lineal descendants of siblings of such Qualified Stockholder. Lineal descendants shall include adopted persons, but only so long as they are adopted while a minor.
4. “***Incapacity***” shall mean, with respect to an individual, that such individual is incapable of managing his or her financial affairs under the criteria set forth in the applicable probate code, that can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months as determined by a licensed medical practitioner. In the event of a dispute regarding whether an individual has suffered an Incapacity, no Incapacity of such individual will be deemed to have occurred unless and until an affirmative ruling regarding such Incapacity has been made by a court of competent jurisdiction.
5. “***Independent Directors***” shall mean members of the Board of Directors that are not officers or otherwise employees of the Corporation or its subsidiaries; provided that a director shall not be considered an officer or employee of the Corporation solely due to such director’s position as a member of the Board of Directors or the board of directors or similar governing body of one or more subsidiaries of the Corporation or such director’s service as a non-executive chairman, lead independent director or in any similar capacity.
6. “***Initial Public Offering Closing***” shall mean the closing of the Corporation’s initial public offering pursuant to an effective registration statement under the Securities Act covering the offer and sale of Class A Common Stock to the public.
7. “***IPO Date***” means November 15, 2021.
8. “***Option***” shall mean rights, options, restricted stock units or warrants to subscribe for, purchase or otherwise acquire Class B Common Stock or Convertible Securities (as defined above).
9. “***Parent***” of an entity shall mean any entity that directly or indirectly owns or controls a majority of the voting power of the voting securities of such entity.
10. “***Permitted Entity***” shall mean with respect to a Qualified Stockholder: (a) a Permitted Trust solely for the benefit of (1) such Qualified Stockholder, (2) one or more Family

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Members of such Qualified Stockholder, or (3) any other Permitted Entity of such Qualified Stockholder; or (b) any general partnership, limited partnership, limited liability company, corporation or other entity exclusively owned by (1) such Qualified Stockholder, (2) one or more Family Members of such Qualified Stockholder, or (3) any other Permitted Entity of such Qualified Stockholder.

1. “***Permitted Transfer***” shall mean, and be restricted to, any Transfer of a share of Class B Common Stock:
   1. by a Qualified Stockholder to (A) one or more Family Members of such Qualified Stockholder, (B) any Permitted Entity of such Qualified Stockholder, or (C) to such Qualified Stockholder’s revocable living trust, which revocable living trust is itself both a Permitted Trust and a Qualified Stockholder; or
   2. by a Permitted Entity of a Qualified Stockholder to (A) such Qualified Stockholder or one or more Family Members of such Qualified Stockholder, or (B) any other Permitted Entity of such Qualified Stockholder.
2. “***Permitted Transferee***” shall mean a transferee of shares of Class B Common Stock received in a

Permitted Transfer.

1. “***Permitted Trust***” shall mean a bona fide trust where each trustee is (i) a Qualified Stockholder, (ii) a Family Member, or (iii) a professional in the business of providing trustee services, including private professional fiduciaries, trust companies and bank trust departments.
2. “***Person***” shall mean a natural person, corporation, limited liability company, partnership, joint venture, trust, unincorporated association or other legal entity.
3. “***Qualified Stockholder***” shall mean: (a) the record holder of a share of Class B Common Stock as of the IPO Date; (b) the initial registered holder of any shares of Class B Common Stock that are originally issued by the Corporation after the IPO Date pursuant to the exercise or conversion of any Option or Convertible Security that, in each case, was outstanding as of the IPO Date; (c) each natural person who, prior to the IPO Date, Transferred shares of capital stock of the Corporation to a Permitted Entity that is or becomes a Qualified Stockholder; (d) each natural person who Transferred shares of, or equity awards for, Class B Common Stock (including any Option exercisable or Convertible Security exchangeable for or convertible into shares of Class B Common Stock) to a Permitted Entity that is or becomes a Qualified Stockholder; and (e) a Permitted Transferee.
4. “***Transfer***” of a share of Class B Common Stock shall mean any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law, including, without limitation, a transfer of a share of Class B Common Stock to a broker or other nominee (regardless of whether there is a corresponding change in beneficial ownership), the transfer of, or entering into a binding agreement with respect to, Voting Control over such share by proxy, or the transfer of a share of Class B Common Stock to certain charities and trusts established by a holder of Class B Common Stock, so long as such holder of Class B Common Stock has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such entity or otherwise; provided, however, that the following shall not be considered a “***Transfer***” within the meaning of this Section 5 of Article V:

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* 1. the granting of a revocable proxy to officers or directors of the Corporation at the request of the Board of Directors in connection with actions to be taken at an annual or special meeting of stockholders;
  2. entering into a voting trust, agreement or arrangement (with or without granting a proxy) solely with stockholders who are holders of Class B Common Stock that (A) is disclosed either in a Schedule 13D filed with the Securities and Exchange Commission or in writing to the Secretary of the Corporation, (B) either has a term not exceeding one

1. year or is terminable by the holder of the shares subject thereto at any time and (C) does not involve any payment of cash, securities, property or other consideration to the holder of the shares subject thereto other than the mutual promise to vote shares in a designated manner;
   1. entering into a voting trust, agreement or arrangement (with or without granting a proxy) pursuant to a written agreement to which the Corporation is a party;
   2. the pledge of shares of Class B Common Stock by a stockholder that creates a mere security interest in such shares pursuant to a bona fide loan or indebtedness transaction for so long as such stockholder continues to exercise Voting Control over such pledged shares; provided, however, that a foreclosure on such shares or other similar action by the pledgee shall constitute a Transfer unless such foreclosure or similar action qualifies as a Permitted Transfer;
   3. the fact that, as of the IPO Date or at any time after the IPO Date, the spouse of any holder of Class B Common Stock possesses or obtains an interest in such holder’s shares of Class B Common Stock arising solely by reason of the application of the community property laws of any jurisdiction, so long as no other event or circumstance shall exist or have occurred that constitutes a Transfer of such shares of Class B Common Stock; provided that any transfer of shares by any holder of shares of Class B Common Stock to such holder’s spouse, including a transfer in connection with a divorce proceeding, domestic relations order or similar legal requirement, shall constitute a “***Transfer***” of such shares of Class B Common Stock unless otherwise exempt from the definition of Transfer;
   4. entering into a trading plan pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “***Exchange Act***”), with a broker or other nominee; provided, however, that a sale of such shares of Class B Common Stock pursuant to such plan shall constitute a “***Transfer***” at the time of such sale; or
   5. in connection with a merger or consolidation of the Corporation with or into any other entity, or in the case of any other transaction having an effect on stockholders substantially similar to that resulting from a merger or consolidation, that has been approved by the Board of Directors, the entering into a support, voting, tender or similar agreement or arrangement (in each case, with or without the grant of a proxy) that has also been approved by the Board of Directors.

A Transfer shall also be deemed to have occurred with respect to a share of Class B Common Stock beneficially held by

1. an entity that is a Permitted Entity, if there occurs any act or circumstance that causes such entity to no longer be a Permitted Entity or (ii) an entity that is a Qualified Stockholder, if, in either case, there occurs a Transfer on a cumulative basis, from and after the IPO Date, of a majority of the voting power of the voting securities of such entity or any direct or indirect Parent of such entity, other than a Transfer to parties that are, as of the IPO Date, holders of voting securities of any such entity or Parent of such entity.

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1. “***Voting Control***” shall mean, with respect to a share of Class B Common Stock, the power (whether exclusive or shared) to vote or direct the voting of such share by proxy, voting agreement or otherwise.
2. **Immediate Effect and Status of Converted Stock**. In the event of a conversion of shares of Class BCommon Stock into shares of Class A Common Stock pursuant to Section 3 of this Article V, or upon the date of the Final Automatic Conversion, such conversion(s) shall be deemed to have been made at the time that the Transfer of shares occurred or immediately at 11:59 p.m. Pacific Time on the date of the Final Automatic Conversion, as applicable. In the event any shares of Class B Common Stock are converted into shares of Class A Common Stock pursuant to this Article V, the shares of Class B Common Stock so converted shall be retired and shall not be reissued by the Corporation.
3. **Effect of Conversion on Payment of Dividends**. Notwithstanding anything to the contrary in Sections 1,2 or 3 of this Article V, if the date on which any share of Class B Common Stock is converted into Class A Common Stock pursuant to the provisions of Sections 1, 2 or 3 of this Article V occurs after the record date for the determination of the holders of Class B Common Stock entitled to receive any dividend or distribution to be paid on the shares of Class B Common Stock, the holder of such shares of Class B Common Stock as of such record date will be entitled to receive such dividend or distribution on such payment date; provided, that, notwithstanding any other provision of this Restated Certificate of Incorporation, to the extent that any such dividend or distribution is payable in shares of Class B Common Stock, such dividend or distribution shall be deemed to have been declared, and shall be payable in, shares of Class A Common Stock and no shares of Class B Common Stock shall be issued in payment thereof.
4. **Reservation**. The Corporation shall at all times reserve and keep available, out of its authorized andunissued shares of Class A Common Stock, solely for the purpose of effecting conversions of shares of Class B Common Stock into Class A Common Stock, such number of duly authorized shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all then-outstanding shares of Class B Common Stock. If at any time the number of authorized and unissued shares of Class A Common Stock shall not be sufficient to effect the conversion of all then-outstanding shares of Class B Common Stock, the Corporation shall promptly take such corporate action as may be necessary to increase its authorized but unissued shares of Class A Common Stock to such number of shares as shall be sufficient for such purpose, including, without limitation, obtaining the requisite stockholder approval of any necessary amendment to this Restated Certificate of Incorporation. All shares of Class A Common Stock which are so issuable shall, when issued, be duly and validly issued, fully paid and non-assessable shares. The Corporation shall take all such action as may be necessary to ensure that all such shares of Class A Common Stock may be so issued without violation of any applicable law or regulation.
5. **No Further Issuances**. Except for the issuance of Class B Common Stock issuable upon exercise ofRights outstanding at the Effective Time or a dividend payable in accordance with Article IV, Section 3.3, the Corporation shall not at any time after the Effective Time issue any additional shares of Class B Common Stock, unless such issuance is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class B Common Stock. After the Final Conversion Date, the Corporation shall not issue any additional shares of Class B Common Stock.

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**ARTICLE VI:**

**AMENDMENT OF BYLAWS**

The Board of Directors shall have the power to adopt, amend or repeal the Bylaws. Any adoption, amendment or repeal of the Bylaws by the Board of Directors shall require the approval of a majority of the Whole Board. For purposes of this Restated Certificate of Incorporation, the term “***Whole Board***” shall mean the total number of authorized directors, whether or not there exist any vacancies in previously authorized directorships. The stockholders shall also have power to adopt, amend or repeal the Bylaws; provided, however, that, notwithstanding any other provision of this Restated Certificate of Incorporation or any provision of law that might otherwise permit a lesser or no vote, but in addition to any vote of the holders of any class or series of stock of the Corporation required by applicable law or by this Restated Certificate of Incorporation, the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders to adopt, amend or repeal any provision of the Bylaws; provided, further, however, that, in the case of any proposed adoption, amendment or repeal of any provisions of the Bylaws that is approved by the Board of Directors and submitted to the stockholders for adoption thereby, if directors representing two-thirds (2/3) of the Whole Board have approved such adoption, amendment or repeal of any provisions of the Bylaws, then, in addition to any vote of the holders of any class or series of stock of the Corporation required by applicable law or by this Restated Certificate of Incorporation, only the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal such provision of the Bylaws.

**ARTICLE VII:**

**MATTERS RELATING TO THE BOARD OF DIRECTORS**

1. **Director Powers**. Except as otherwise provided by the General Corporation Law or this Certificate ofIncorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.
2. **Number of Directors**. Subject to the special rights of the holders of any series of Preferred Stock to electadditional directors under specified circumstances, the total number of directors constituting the Whole Board shall be fixed from time to time exclusively by resolution adopted by a majority of the Whole Board.
3. **Classified Board**. Subject to the special rights of the holders of one or more series of Preferred Stock toelect directors, the directors shall be divided, with respect to the time for which they severally hold office, into three classes designated as Class I, Class II and Class III, respectively (the “***Classified Board***”). The Board of Directors is authorized to assign members of the Board of Directors to such classes of the Classified Board. The number of directors in each class shall be divided as nearly equal as is practicable. The initial term of office of the Class I directors shall expire on 2022, the initial term of office of the Class II directors shall expire on 2023, and the initial term of office of the Class III directors shall expire on 2024. At each annual meeting of stockholders, directors elected to succeed those directors of the class whose terms then expire shall be elected for a term of office expiring at the third succeeding annual meeting of stockholders after their election.
4. **Term and Removal**. Each director shall hold office until the annual meeting at which such director’s termexpires and until such director’s successor is duly elected and qualified, or until such director’s earlier death, resignation, disqualification or removal. Any

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director may resign at any time upon notice to the Corporation given in writing or by any electronic transmission. For the first twelve (12) months after the date a director first joins (by appointment or election) the Board of Directors, subject to the special rights of the holders of any series of Preferred Stock to elect directors, each such director may be removed with or without cause by the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class. After twelve (12) months from the date a director first joins (by appointment or election) the Board of Directors, subject to the special rights of the holders of any series of Preferred Stock to elect directors, no director may be removed from the Board of Directors except for cause and only by the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of capital stock of the Corporation entitled to vote thereon, voting together as a single class. Subject to the special rights of the holders of any series of Preferred Stock to elect directors, in the event of any increase or decrease in the authorized number of directors, (a) each director then serving as such shall nevertheless continue as a director of the class of which he or she is a member and (b) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the classes of directors so as to make all classes as nearly equal in number as is practicable. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

1. **Vacancies and Newly Created Directorships**. Subject to the special rights of the holders of any series ofPreferred Stock to elect directors, any vacancy occurring in the Board of Directors for any reason, and any newly created directorship resulting from any increase in the authorized number of directors, shall be filled only by the affirmative vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director, and shall not be filled by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class, if any, to which the director has been assigned expires and until such director’s successor shall have been duly elected and qualified, or until such director’s earlier death, resignation, disqualification or removal.
2. **Additional Directors Elected by the Preferred Stock.** During any period when the holders of any seriesof Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article IV hereof (including any Certificate of Designation) (any such director, a “**Preferred Stock Director**”), and upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such number of Preferred Stock Directors that the holders of any series of Preferred Stock have a right to elect, and the holders of such Preferred Stock shall be entitled to elect the additional Preferred Stock Directors so provided for or fixed pursuant to said provisions; and (ii) each such Preferred Stock Director shall serve until his or her successor shall have been duly elected and qualified, or until his or her right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, disqualification, resignation or removal. In case any vacancy shall occur among the Preferred Stock Directors, a successor Preferred Stock Director may be elected by the holders of Preferred Stock pursuant to said provisions. Except as otherwise provided for or fixed pursuant to the provisions of Article IV hereof (including any Preferred Stock Designation), whenever the holders of any series of Preferred Stock having such right to elect an additional Preferred Stock Director are divested of such right pursuant to said provisions, the terms of office of such Preferred Stock Director elected by the holders of such Preferred Stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional Preferred Stock Director, shall forthwith terminate (in which case such person shall cease to be qualified as a director and shall cease to be a director) and the total authorized number of directors of the Corporation shall be automatically reduced accordingly.

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1. **Vote by Ballot**. Election of directors need not be by written ballot unless the Bylaws shall so provide.
2. **No Cumulative Voting**. No stockholder will be permitted to cumulate votes at any election of directors.

**ARTICLE VIII:**

**DIRECTOR LIABILITY**

1. **Limitation of Liability**. To the fullest extent permitted by law, no director of the Corporation shall bepersonally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Without limiting the effect of the preceding sentence, if the General Corporation Law is hereafter amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law, as so amended.
2. **Change in Rights**. Neither any amendment nor repeal of this Article VIII, nor the adoption of anyprovision of this Restated Certificate of Incorporation inconsistent with this Article VIII, shall eliminate, reduce or otherwise adversely affect any limitation on the personal liability of a director of the Corporation or any rights or protections of any officer or director of the Corporation under this Article VIII with respect to acts or omissions occurring prior to the time of such amendment, repeal or adoption of such an inconsistent provision.

**ARTICLE IX:**

**MATTERS RELATING TO STOCKHOLDERS**

1. **No Action by Written Consent of Stockholders**. Subject to the rights of any series of Preferred Stockthen outstanding, (i) no action shall be taken by the stockholders of the Corporation except at a duly called annual or special meeting of stockholders, and (ii) no action shall be taken by the stockholders of the Corporation by written consent in lieu of a meeting.
2. **Special Meeting of Stockholders**. Special meetings of the stockholders of the Corporation may be calledonly by a majority of our Board of Directors, stockholders holding at least 6,300,000 shares of our Class B Common Stock or the Chairperson of our Board of Directors.
3. **Advance Notice of Stockholder Nominations and Business Transacted at Special Meetings**. Advancenotice of stockholder nominations for the election of directors of the Corporation and of business to be brought by stockholders before any meeting of stockholders of the Corporation shall be given in the manner provided in the Bylaws. Business transacted at special meetings of stockholders shall be limited to the purpose or purposes stated in the notice of meeting.

**ARTICLE X:**

**SEVERABILITY**

If any provision of this Restated Certificate of Incorporation shall be held to be invalid, illegal, or unenforceable, then such provision shall nonetheless be enforced to the maximum extent possible consistent with such holding and the remaining provisions of this Restated Certificate of Incorporation (including without limitation, all portions of any section of this Restated Certificate of Incorporation containing any such provision held to be invalid, illegal, or

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unenforceable, which is not invalid, illegal, or unenforceable) shall remain in full force and effect.

**ARTICLE XI:**

**AMENDMENT OF RESTATED CERTIFICATE OF INCORPORATION**

1. **General**. The Corporation reserves the right to amend or repeal any provision contained in this RestatedCertificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any provision of this Restated Certificate of Incorporation (including any Certificate of Designation) or any provision of law that might otherwise permit a lesser vote or no vote (other than Sections 1.2 and 2 of Article IV hereof), but in addition to any vote of the holders of any class or series of the stock of the Corporation required by applicable law or by this Restated Certificate of Incorporation (including any Certificate of Designation), and subject to Sections 1.2 and 2 of Article IV, the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, this Section 1 of this Article XI, Sections 1.2 and 2 of Article IV, or Article V, Article VI, Article VII, Article VIII, Article IX, Article X or Article XII (the “***Specified Provisions***”); provided, further, that if directors representing two-thirds (2/3) of the Whole Board have approved such amendment or repeal of, or any provision inconsistent with, the Specified Provisions, then only the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class (in addition to any other vote of the holders of any class or series of stock of the Corporation required by applicable law or by this Certificate of Incorporation), shall be required to approve such amendment or repeal of, or the adoption of such provision inconsistent with, the Specified Provisions.
2. **Changes to or Inconsistent with Section 3 of Article IV**. Notwithstanding any other provision of thisRestated Certificate of Incorporation (including any Certificate of Designation) or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of the Corporation required by law or by this Restated Certificate of Incorporation (including any Certificate of Designation), the affirmative vote of the holders of Class A Common Stock representing at least two-thirds (2/3) of the voting power of the then-outstanding shares of Class A Common Stock, voting separately as a single class, and the affirmative vote of the holders of Class B Common Stock representing at least two-thirds (2/3) of the voting power of the then-outstanding shares of Class B Common Stock, each voting separately as single classes, shall be required to amend or repeal, or to adopt any provision inconsistent with, Section 3 of Article IV or this Section 2 of this Article XI.

**ARTICLE XII:**

**CHOICE OF FORUM**

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for: (a) any derivative action or proceeding brought on behalf of the Corporation; (b) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, stockholder, employee or agent of the Corporation to the Corporation or the Corporation’s stockholders; (c) any action asserting a claim against the Corporation arising pursuant to any provision of the General Corporation Law, this Restated Certificate of Incorporation or the Bylaws or as to which the General Corporation Law confers jurisdiction on

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the Court of Chancery of the State of Delaware; (d) any action to interpret, apply, enforce or determine the validity of this Restated Certificate of Incorporation or the Bylaws; or (e) any action asserting a claim against the Corporation governed by the internal affairs doctrine. This Article XII shall not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

To the fullest extent permitted by law, unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article XII.

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**BACKBLAZE, INC.**

(a Delaware corporation)

**AMENDED AND RESTATED BYLAWS**

As Adopted October 7, 2021 and

As Effective November 15, 2021

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**BACKBLAZE, INC.**

(a Delaware corporation)

**AMENDED AND RESTATED BYLAWS**

As Adopted October 7, 2021 and

As Effective November 15, 2021

**ARTICLE I**

**STOCKHOLDERS**

**Section 1.1 Annual Meetings.** If required by applicable law or as otherwise determined by the Board of Directors (the“***Board***”) of Backblaze, Inc. (the “***Corporation***”), an annual meeting of stockholders shall be held for the election of directors at such date and time as the Board shall each year fix. The meeting may be held either at a place, within or without the State of Delaware as permitted by the Delaware General Corporation Law (the “***DGCL***”), or by means of remote communication as the Board in its sole discretion may determine. Any other proper business may be transacted at the annual meeting. The Corporation may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board.

**Section 1.2 Special Meetings.** Special meetings of stockholders for any purpose or purposes shall be called in themanner set forth in the Restated Certificate of Incorporation of the Corporation (as the same may be amended and/or restated from time to time, the “***Certificate of Incorporation***”). The special meeting may be held either at a place, within or without the State of Delaware, or by means of remote communication as the Board in its sole discretion may determine. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of the meeting. The Corporation may postpone, reschedule or cancel any special meeting of stockholders previously scheduled by the Board.

**Section 1.3 Notice of Meetings.** Notice of all meetings of stockholders shall be given in writing or by electronictransmission in the manner provided by applicable law (including, without limitation, as set forth in Section 7.1.1 of these Bylaws) stating the date, time and place, if any, of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting). In the case of a special meeting, such notice shall also set forth the purpose or purposes for which the meeting is called. Unless otherwise required by applicable law or the Certificate of Incorporation, notice of any meeting of stockholders shall be given not less than ten (10), nor more than sixty (60), days before the date of the meeting to each stockholder of record entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting.

**Section 1.4 Adjournments.** Notwithstanding Section 1.5 of these Bylaws, the chairperson of the meeting shall havethe power to recess or adjourn any meeting of stockholders, annual or special, to another time, date and place (if any) regardless of whether a quorum is present, at any time and for any reason. Any meeting of stockholders, annual or special, may be adjourned from time to time, and notice need not be given of any such adjourned meeting if the time, date and place (if any) thereof and the means of remote communication (if any) by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken;

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*provided*, *however*, that if (x) the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be givento each stockholder of record entitled to vote at the meeting or (y) after the adjournment, a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting. If a quorum is present at the original meeting, it shall also be deemed present at the adjourned meeting. To the fullest extent permitted by law, the Board may postpone, reschedule or cancel at any time and for any reason any previously scheduled special or annual meeting of stockholders before it is to be held, regardless of whether any notice or public disclosure with respect to any such meeting has been sent or made pursuant to Section 1.3 hereof or otherwise, in which case notice shall be provided to the stockholders of the new date, time and place, if any, of the meeting as provided in Section 1.3 above.

**Section 1.5 Quorum.** Except as otherwise provided by applicable law, the Certificate of Incorporation or theseBylaws, at each meeting of stockholders the holders of a majority of the voting power of the shares of stock issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business; *provided*, *however*, that where a separate vote by a class or classes or series of stock is required by applicable law or the Certificate of Incorporation, the holders of a majority of the voting power of the shares of such class or classes or series of the stock issued and outstanding and entitled to vote on such matter, present in person or represented by proxy at the meeting, shall constitute a quorum entitled to take action with respect to the vote on such matter. If a quorum shall fail to attend any meeting, the chairperson of the meeting or, if directed to be voted on by the chairperson of the meeting, the holders of a majority of the voting power of the shares entitled to vote who are present in person or represented by proxy at the meeting may adjourn the meeting. Shares of the Corporation’s stock belonging to the Corporation (or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation are held, directly or indirectly, by the Corporation), shall neither be entitled to vote nor be counted for quorum purposes; *provided*, *however*, that the foregoing shall not limit the right of the Corporation or any other corporation to vote any shares of the Corporation’s stock held by it in a fiduciary capacity and to count such shares for purposes of determining a quorum. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum.

**Section 1.6 Organization.** Meetings of stockholders shall be presided over by (a) such person as the Board maydesignate, or (b) in the absence of such a person, the Chairperson of the Board, or (c) in the absence of such person, the Chief Executive Officer of the Corporation, or (d) in the absence of such person, the General Counsel (or Chief Legal Officer) of the Corporation, or (e) in the absence of such person, the Lead Independent Director, or (f) in the absence of such person, by a Vice President. The Secretary of the Corporation shall generally act as secretary of the meeting or other person designated by the Board, Chairperson of the Board (if not designated by the Board), or Chief Executive Officer (if not designated by the Board or Chairperson of the Board), but in such person’s absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

**Section 1.7 Voting; Proxies.** Each stockholder of record entitled to vote at a meeting of stockholders, or to takecorporate action by written consent without a meeting, may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Such a proxy may be prepared, transmitted and delivered in any manner permitted by applicable law.

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Except as may be required in the Certificate of Incorporation, at all meetings of stockholders for the election of directors at which a quorum is present, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. At all meetings of stockholders at which a quorum is present, unless a different or minimum vote is required by applicable law, rule or regulation applicable to the Corporation or its securities, the rules or regulations of any stock exchange applicable to the Corporation, the Certificate of Incorporation or these Bylaws, in which case such different or minimum vote shall be the applicable vote on the matter, every matter other than the election of directors shall be decided by the affirmative vote of the holders of a majority of the voting power of the shares of stock entitled to vote on such matter that are present in person or represented by proxy at the meeting and are voted for or against the matter (or if there are two or more classes or series of stock entitled to vote as separate classes, then in the case of each class or series, the holders of a majority of the voting power of the shares of stock of that class or series present in person or represented by proxy at the meeting voting for or against such matter).

**Section 1.8** **Fixing Date for Determination of Stockholders of Record.**

1.8.1 Meetings. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided*, *however*, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjournedmeeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

1.8.2 Stockholder Action by Written Consent. If stockholders are permitted to act by written consent pursuant to the Certificate of Incorporation, in order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board. If no record date has been fixed by the Board pursuant to the first sentence of this Section 1.8.2, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting (if stockholders are permitted to act by written consent pursuant to the Certificate of Incorporation), when no prior action by the Board is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or to any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. If no record date has been fixed by the Board pursuant to the first sentence of this Section 1.8.2, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting if prior action by the Board is required by applicable law shall be at the close of business on the date on which the Board adopts the resolution taking such prior action.

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1.8.3 Dividends, Distributions, or Rights. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which shall not be more than sixty (60) days prior to such action. If no such record date is fixed by the Board, then the record date for determining stockholders for any such purpose shall be at 5:00 p.m. Pacific Time on the day on which the Board adopts the resolution relating thereto.

**Section 1.9 List of Stockholders Entitled to Vote.** The Corporation shall prepare, at least ten (10) days before everymeeting of stockholders, a complete list of stockholders entitled to vote at the meeting (*provided*, *however*, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth (10th) day before the meeting date), arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting, (a) on a reasonably accessible electronic network as permitted by applicable law (*provided* that the information required to gain access to the list is provided with the notice of the meeting), or (b) during ordinary business hours, at the principal place of business of the Corporation. If the meeting is held at a location where stockholders may attend in person, a list of stockholders entitled to vote at the meeting shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present at the meeting. If the meeting is held solely by means of remote communication, then the list shall be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access the list shall be provided with the notice of the meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 1.9 or to vote in person or by proxy at any meeting of stockholders.

**Section 1.10** **Inspectors of Elections**.

1.10.1 Applicability. Unless otherwise required by the Certificate of Incorporation or by applicable law, the following provisions of this Section 1.10 shall apply only if and when the Corporation has a class of voting stock that is: (a) listed on a national securities exchange; (b) authorized for quotation on an interdealer quotation system of a registered national securities association; or (c) held of record by more than two thousand (2,000) stockholders. In all other cases, observance of the provisions of this Section 1.10 shall be optional, and at the discretion of the Board.

1.10.2 Appointment. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting.

1.10.3 Inspector’s Oath. Each inspector of election, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector’s ability.

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1.10.4 Duties of Inspectors. At a meeting of stockholders, the inspectors of election shall (a) ascertain the number of shares outstanding and the voting power of each share, (b) determine the shares represented at a meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period of time a record of the disposition of any challenges made to any determination by the inspectors, and (e) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

1.10.5 Opening and Closing of Polls. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced by the chairperson of the meeting at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery upon application by a stockholder shall determine otherwise.

1.10.6 Determinations. In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in connection with proxies pursuant to Section 211(a)(2)b.(i) of the DGCL, or in accordance with Sections 211(e) or 212(c)(2) of the DGCL, ballots and the regular books and records of the Corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted herein, the inspectors at the time they make their certification of their determinations pursuant to this Section 1.10 shall specify the precise information considered by them, including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors’ belief that such information is accurate and reliable.

**Section 1.11 Conduct of Meetings.** The Board may adopt by resolution such rules and regulations for the conduct ofthe meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof;

1. limitations on the time allotted to questions or comments by participants; (vi) restricting the use of audio/video recording devices and cell phones; and (vii) complying with any state and local laws and regulations concerning safety and security. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

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**Section 1.12** **Notice of Stockholder Business; Nominations**.

1.12.1 Annual Meeting of Stockholders.

1. Nominations of persons for election to the Board and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only: (i) pursuant to the Corporation’s notice of such meeting (or any supplement thereto), (ii) by or at the direction of the Board or any committee thereof or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice provided for in this Section 1.12 (the “***Record Stockholder***”), who is entitled to vote at such meeting and who complies with the notice and other procedures set forth in this Section 1.12 in all applicable respects. For the avoidance of doubt, the foregoing clause (iii) shall be the exclusive means for a stockholder to make nominations or propose business (other than business included in the Corporation’s proxy materials pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (such act, and the rules and regulations promulgated thereunder, the “***Exchange Act***”)), at an annual meeting of stockholders, and such stockholder must fully comply with the notice and other procedures set forth in this Section 1.12 to make such nominations or propose business before an annual meeting.
2. For nominations or other business to be properly brought before an annual meeting by a Record Stockholder pursuant to Section 1.12.1(a) of these Bylaws:
   1. the Record Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and provide any updates or supplements to such notice at the times and in the forms required by this Section 1.12;
   2. such other business (other than the nomination of persons for election to the Board) must otherwise be a proper matter for stockholder action;
   3. if the Proposing Person (as defined below) has provided the Corporation with a Solicitation Notice (as defined below), such Proposing Person must, in the case of a proposal other than the nomination of persons for election to the Board, have delivered a proxy statement and form of proxy to holders of at least the percentage of the Corporation’s voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation’s voting shares reasonably believed by such Proposing Person to be sufficient to elect the nominee or nominees proposed to be nominated by such Record Stockholder, and must, in either case, have included in such materials the Solicitation Notice; and
   4. if no Solicitation Notice relating thereto has been timely provided pursuant to this Section 1.12, the Proposing Person proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 1.12. To be timely, a Record Stockholder’s notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than 5:00 p.m. Pacific Time on the ninetieth (90th) day nor earlier than 5:00 p.m. Pacific Time on the one hundred and twentieth (120th) day prior to the first anniversary of the preceding year’s annual meeting (which date shall, for purposes of the Corporation’s first annual meeting of stockholders after its shares of Common Stock (as defined in the Restated Certificate of Incorporation) are first publicly traded, be deemed to have occurred on June 1, 2021); *provided*, *however*, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the Record Stockholder to be timely must be so delivered (A) no earlier than 5:00 p.m. Pacific Time on the one hundred and twentieth (120th) day prior to such annual meeting and (B) no later than 5:00 p.m. Pacific Time

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on the later of the ninetieth (90th) day prior to such annual meeting or 5:00 p.m. Pacific Time on the tenth (10th) day following the day on which Public Announcement (as defined below) of the date of such meeting is first made by the Corporation. In no event shall an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for providing the Record Stockholder’s notice.

1. As to each person whom the Record Stockholder proposes to nominate for election or reelection as a director, in addition to the matters set forth in paragraph (e) below, such Record Stockholder’s notice shall set forth:
   1. the name, age, business address and residence address of such person;
   2. the principal occupation or employment of such nominee;
   3. the class, series and number of any shares of stock of the Corporation that are beneficially

owned or owned of record by such person or any Associated Person (as defined in Section 1.12.4(c));

* 1. the date or dates such shares were acquired and the investment intent of such acquisition;
  2. all other information relating to such person that would be required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or would be otherwise required, in each case pursuant to and in accordance with Section 14(a) (or any successor provision) under the Exchange Act and the rules and regulations thereunder;
  3. such person’s written consent to being named in the Corporation’s proxy statement as a nominee, to the public disclosure of information regarding or related to such person provided to the Corporation by such person or otherwise pursuant to this Section 1.12 and to serving as a director if elected;
  4. whether such person meets the independence requirements of the stock exchange upon which the Corporation’s Class A Common Stock (or Common Stock) is primarily traded;
  5. a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three (3) years, and any other material relationships, between or among such Proposing Person or any of its respective affiliates and associates, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, on the other hand, including all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Proposing Person or any of its respective affiliates and associates were the “registrant” for purposes of such rule and the nominee were a director or executive officer of such registrant; and
  6. a completed and signed questionnaire, representation and agreement required by Section

1.12.2 of these Bylaws.

1. As to any business other than the nomination of a director or directors that the Record Stockholder proposes to bring before the meeting, in addition to the matters set forth in paragraph (e) below, such Record Stockholder’s notice shall set forth:

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* 1. brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws, the text of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such Proposing Person, including any anticipated benefit to any Proposing Person therefrom; and
  2. description of all agreements, arrangements and understandings between or among any such Proposing Person and any of its respective affiliates or associates, on the one hand, and any other person or persons, on the other hand, (including their names) in connection with the proposal of such business by such Proposing Person;

1. As to each Proposing Person giving the notice, such Record Stockholder’s notice shall set forth:
   1. the current name and address of such Proposing Person, including, if applicable, their name and address as they appear on the Corporation’s stock ledger, if different;
   2. the class or series and number of shares of stock of the Corporation that are directly or indirectly owned of record or beneficially owned by such Proposing Person, including any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future;
   3. whether and the extent to which any derivative interest in the Corporation’s equity securities (including without limitation any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of shares of the Corporation or otherwise, and any cash-settled equity swap, total return swap, synthetic equity position or similar derivative arrangement (any of the foregoing, a “***Derivative Instrument***”), as well as any rights to dividends on the shares of any class or series of shares of the Corporation that are separated or separable from the underlying shares of the Corporation) or any short interest in any security of the Corporation (for purposes of this Bylaw a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any increase or decrease in the value of the subject security, including through performance-related fees) is held directly or indirectly by or for the benefit of such Proposing Person, including without limitation whether and the extent to which any ongoing hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including without limitation any short position or any borrowing or lending of shares) has been made, the effect or intent of which is to mitigate loss to or manage risk or benefit of share price changes for, or to increase or decrease the voting power of, such Proposing Person with respect to any share of stock of the Corporation (any of the foregoing, a “***Short Interest***”);
   4. any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such Proposing Person or any of its respective affiliates or associates is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership;

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1. any direct or indirect material interest in any material contract or agreement with the Corporation, any affiliate of the Corporation or any Competitor (as defined below) (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement);
2. any significant equity interests or any Derivative Instruments or Short Interests in any

Competitor held by such Proposing Person and/or any of its respective affiliates or associates;

1. any other material relationship between such Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation or any Competitor, on the other hand;
2. all information that would be required to be set forth in a Schedule 13D filed pursuant to Rule 13d-1(a) or an amendment pursuant to Rule 13d-2(a) if such a statement were required to be filed under the Exchange Act and the rules and regulations promulgated thereunder by such Proposing Person and/or any of its respective affiliates or associates;
3. any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) (or any successor provision) under the Exchange Act and the rules and regulations thereunder;
4. such Proposing Person’s written consent to the public disclosure of information provided to the Corporation pursuant to this Section 1.12;
5. a complete written description of any agreement, arrangement or understanding (whether oral or in writing) (including any knowledge that another person or entity is Acting in Concert (as defined in Section 1.12.4(c)) with such Proposing Person) between or among such Proposing Person, any of its respective affiliates or associates and any other person Acting in Concert with any of the foregoing persons;
6. a representation that the Record Stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination;
7. a representation whether such Proposing Person intends (or is part of a group that intends) to deliver a proxy statement or form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation’s voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation’s voting shares to elect such nominee or nominees (an affirmative statement of such intent being a “***Solicitation Notice***”); and
8. any proxy, contract, arrangement, or relationship pursuant to which the Proposing Person has a right to vote, directly or indirectly, any shares of any security of the Corporation.

The disclosures to be made pursuant to the foregoing clauses (ii), (iii), (iv) and (vi) shall not include any information with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner.

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1. A stockholder providing written notice required by this Section 1.12 shall update such notice in writing, if necessary, so that the information provided or required to be provided in such notice is true and correct in all material respects as of (i) the record date for determining the stockholders entitled to notice of the meeting and (ii) 5:00 p.m. Pacific Time on the tenth (10th) business day prior to the meeting or any adjournment or postponement thereof. In the case of an update pursuant to clause (i) of the foregoing sentence, such update shall be received by the Secretary of the Corporation at the principal executive office of the Corporation not later than five (5) business days after the record date for determining the stockholders entitled to notice of the meeting, and in the case of an update and supplement pursuant to clause (ii) of the foregoing sentence, such update and supplement shall be received by the Secretary of the Corporation at the principal executive office of the Corporation not later than eight (8) business days prior to the date for the meeting, and, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed). For the avoidance of doubt, the obligation to update as set forth in this paragraph shall not limit the Corporation’s rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any proposal or nomination or to submit any new proposal, including by changing or adding nominees, matters, business and/or resolutions proposed to be brought before a meeting of the stockholders.
2. Notwithstanding anything in Section 1.12 or any other provision of the Bylaws to the contrary, any person who has been determined by a majority of the Whole Board to have violated Section 2.11 of these Bylaws or a Board Confidentiality Policy (as defined below) while serving as a director of the Corporation in the preceding five (5) years shall be ineligible to be nominated or be qualified to serve as a member of the Board, absent a prior waiver for such nomination or qualification approved by two-thirds of the Whole Board.

1.12.2 Submission of Questionnaire, Representation and Agreement. To be eligible to be a nominee of any stockholder for election or reelection as a director of the Corporation, the person proposed to be nominated must deliver (in accordance with the time periods prescribed for delivery of notice under Section 1.12 of these Bylaws) to the Secretary at the principal executive offices of the Corporation a completed and signed questionnaire in the form required by the Corporation (which form the stockholder shall request in writing from the Secretary of the Corporation and which the Secretary shall provide to such stockholder within ten days of receiving such request) with respect to the background and qualification of such person to serve as a director of the Corporation and the background of any other person or entity on whose behalf, directly or indirectly, the nomination is being made and a signed representation and agreement (in the form available from the Secretary upon written request) that such person: (a) is not and will not become a party to (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a “***Voting Commitment***”) that has not been disclosed to the Corporation or (ii) any Voting Commitment that could limit or interfere with such person’s ability to comply, if elected as a director of the Corporation, with such person’s fiduciary duties under applicable law, (b) is not and will not become a party to any Compensation Arrangement (as defined below) that has not been disclosed therein, (c) if elected as a director of the Corporation, will comply with all informational and similar requirements of applicable insurance policies and laws and regulations in connection with service or action as a director of the Corporation, (d) if elected as a director of the Corporation, will comply with all corporate governance, conflict of interest, stock ownership requirements, confidentiality and trading policies and guidelines of the Corporation publicly disclosed from time to time, (e) if elected as a director of the Corporation, will act in the best interests of the Corporation and its stockholders and not in the interests of individual constituencies, (f) consents to being named as a nominee in the Corporation’s proxy statement

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pursuant to Rule 14a-4(d) under the Exchange Act and any associated proxy card of the Corporation and agrees to serve if elected as a director and (g) intends to serve as a director for the full term for which such individual is to stand for election.

1.12.3 Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation’s notice of such meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation’s notice of such meeting (a) by or at the direction of the Board or any committee thereof or (b) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice of the special meeting, who shall be entitled to vote at the meeting and who complies with the notice and other procedures set forth in this Section 1.12 in all applicable respects. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation’s notice of meeting, if the stockholder’s notice required by Section 1.12.1(b) of these Bylaws shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation (i) no earlier than the one hundred and twentieth (120th) day prior to such special meeting and (ii) no later than 5:00 p.m. Pacific Time on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which Public Announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for providing such notice.

1.12.4 General.

1. Except as otherwise expressly provided in any applicable rule or regulation promulgated under the Exchange Act, only such persons who are nominated in accordance with the procedures set forth in this Section 1.12 shall be eligible to be elected at a meeting of stockholders and serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.12. Except as otherwise provided by law or these Bylaws, the chairperson of the meeting shall have the power and duty to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.12 and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 1.12, unless otherwise required by law, if the stockholder (or a Qualified Representative of the stockholder (as defined below)) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.
2. Notwithstanding the foregoing provisions of this Section 1.12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 1.12 shall be deemed to affect any rights of (a) stockholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act or (b) the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation.

1.12.5 For purposes of these Bylaws the following definitions shall apply:

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1. a person shall be deemed to be “***Acting in Concert***” with another person if such person knowingly acts (whether or not pursuant to an express agreement, arrangement or understanding) in concert with, or toward a common goal relating to the management, governance or control of the Corporation in substantial parallel with, such other person where (1) each person is conscious of the other person’s conduct or intent and this awareness is an element in their decision-making processes and (2) at least one additional factor suggests that such persons intend to act in concert or in substantial parallel, which such additional factors may include, without limitation, exchanging information (whether publicly or privately), attending meetings, conducting discussions or making or soliciting invitations to act in concert or in substantial parallel; provided that a person shall not be deemed to be Acting in Concert (i) with any other person solely as a result of the solicitation or receipt of revocable proxies or consents from such other person in response to a solicitation made pursuant to, and in accordance with, Section 14(a) (or any successor provision) of the Exchange Act by way of a proxy or consent solicitation statement filed on Schedule 14A, or (ii) if such person is a holder of Class B Common Stock acting with another holder of Class B Common Stock. A person Acting in Concert with another person shall be deemed to be Acting in Concert with any third party who is also Acting in Concert with such other person;
2. “***affiliate***” and “***associate***” shall have the meanings ascribed thereto in Rule 405 under the Securities Act of 1933, as amended (the “***Securities Act***”); provided, however, that the term “partner” as used in the definition of “associate” shall not include any limited partner that is not involved in the management of the relevant partnership;
3. “***Associated Person***” shall mean with respect to any subject stockholder or other person (including any proposed nominee)

(1) any person directly or indirectly controlling, controlled by or under common control with such stockholder or other person,

(2) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder or other person, (3) any associate of such stockholder or other person, and (4) any person directly or indirectly controlling, controlled by or under common control or Acting in Concert with any such Associated Person;

1. “***Compensation Arrangement***” shall mean any direct or indirect compensatory payment or other financial agreement, arrangement or understanding with any person or entity other than the Corporation, including any agreement, arrangement or understanding with respect to any direct or indirect compensation, reimbursement or indemnification in connection with candidacy, nomination, service or action as a nominee or as a director of the Corporation;
2. “***Competitor***” shall mean any entity that provides products or services that compete with or are alternatives to the principal products produced or services provided by the Corporation or its affiliates;
3. “***Proposing Person***” shall mean (1) the Record Stockholder providing the notice of business proposed to be brought before an annual meeting or nomination of persons for election to the Board at a stockholder meeting, (2) the beneficial owner or beneficial owners, if different, on whose behalf the notice of business proposed to be brought before the annual meeting or nomination of persons for election to the Board at a stockholder meeting is made, and (3) any Associated Person on whose behalf the notice of business proposed to be brought before the annual meeting or nomination of persons for election to the Board at a stockholder meeting is made;
4. “***Public Announcement***” shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act; and

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1. to be considered a “***Qualified Representative***” of a stockholder, a person must be a duly authorized officer, manager, trustee or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as a proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction thereof, at the meeting. The Secretary of the Corporation, or any other person who shall be appointed to serve as secretary of the meeting, may require, on behalf of the Corporation, reasonable and appropriate documentation to verify the status of a person purporting to be a “Qualified Representative” for purposes hereof.

**Section 1.13 Action by Written Consent of Stockholders.** No stockholder action may be taken except at a duly calledannual or special meeting of stockholders of the Corporation and stockholders of the Corporation may not take any action by written consent in lieu of a meeting.

**Section 1.14 Delivery to the Corporation.** Whenever this Article I requires one or more persons (including a record orbeneficial owner of stock) to deliver a document or information to the Corporation or any officer, employee or agent thereof (including any notice, request, questionnaire, revocation, representation or other document or agreement), unless the Corporation elects otherwise, such document or information shall be in writing exclusively (and not in an electronic transmission) and shall be delivered exclusively by hand (including, without limitation, overnight courier service) or by certified or registered mail, return receipt requested, and the Corporation shall not be required to accept delivery of any document not in such written form or so delivered.

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**ARTICLE II**

**BOARD OF DIRECTORS**

**Section 2.1 Number; Qualifications.** The total number of directors constituting the Whole Board shall be fixed fromtime to time in the manner set forth in the Certificate of Incorporation and the term “Whole Board” shall have the meaning specified in the Certificate of Incorporation. No decrease in the authorized number of directors constituting the Whole Board shall shorten the term of any incumbent director. Directors need not be stockholders of the Corporation.

**Section 2.2 Election; Resignation; Removal; Vacancies.** Election of directors need not be by written ballot. Unlessotherwise provided by the Certificate of Incorporation and subject to the special rights of holders of any series of Preferred Stock to elect directors, the Board shall be divided into three classes, designated as Class I, Class II and Class III. The number of directors in each class shall be divided as nearly equal as is practicable. Each director shall hold office until the annual meeting at which such director’s term expires and until such director’s successor is elected and qualified or until such director’s earlier death, resignation, disqualification or removal. Any director may resign by delivering a resignation in writing or by electronic transmission to the Corporation at its principal office or to the Chairperson of the Board, the Chief Executive Officer, or the Secretary. Such resignation shall be effective upon delivery unless it is specified to be effective at a later time or upon the happening of an event. Subject to the special rights of holders of any series of Preferred Stock to elect directors, directors may be removed only as provided by the Certificate of Incorporation and applicable law. All vacancies occurring in the Board and any newly created directorships resulting from any increase in the authorized number of directors shall be filled in the manner set forth in the Certificate of Incorporation.

**Section 2.3 Regular Meetings.** Regular meetings of the Board may be held at such places, within or without the Stateof Delaware, and at such times as the Board may from time to time determine. Notice of regular meetings need not be given if the date, times and places thereof are fixed by resolution of the Board.

**Section 2.4 Special Meetings.** Special meetings of the Board may be called by the Chairperson of the Board, the ChiefExecutive Officer, the Lead Independent Director or a majority of the members of the Board then in office and may be held at any time, date or place, within or without the State of Delaware, as the person or persons calling the meeting shall fix. Notice of the time, date and place of such meeting shall be given, orally, in writing or by electronic transmission (including electronic mail), by the person or persons calling the meeting to all directors at least four (4) days before the meeting if the notice is mailed, or at least twenty-four (24) hours before the meeting if such notice is given by telephone, hand delivery, telegram, telex, mailgram, facsimile, electronic mail or other means of electronic transmission; *provided, however*, that if, under the circumstances, the Chairperson of the Board, the Lead Independent Director or the Chief Executive Officer calling a special meeting deems that more immediate action is necessary or appropriate, notice may be delivered on the day of such special meeting. Unless otherwise indicated in the notice, any and all business may be transacted at a special meeting.

**Section 2.5 Remote Meetings Permitted.** Members of the Board, or any committee of the Board, may participate in ameeting of the Board or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to conference telephone or other communications equipment shall constitute presence in person at such meeting.

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**Section 2.6 Quorum; Vote Required for Action.** At all meetings of the Board, directors representing a majority of theWhole Board shall constitute a quorum for the transaction of business. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date or time. Except as otherwise provided herein or in the Certificate of Incorporation, or required by law, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

**Section 2.7 Organization.** Meetings of the Board shall be presided over by (a) the Chairperson of the Board, or (b) inthe absence of such person, the Lead Independent Director, or (c) in such person’s absence, by the Chief Executive Officer, or (d) in such person’s absence, by a chairperson chosen by the Board at the meeting. Unless otherwise determined by the Board, the Secretary shall act as secretary of the meeting, but in such person’s absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

**Section 2.8 Unanimous Action by Directors in Lieu of a Meeting.** Any action required or permitted to be taken atany meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing or by electronic transmission, and any consent may be documented, signed and delivered in any manner permitted by Section 116 of the DGCL. After an action is taken, the consent or consents relating thereto shall be filed with the minutes of proceedings of the Board or committee, as applicable. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

**Section 2.9 Powers.** Except as otherwise provided by the Certificate of Incorporation or the DGCL, the business andaffairs of the Corporation shall be managed by or under the direction of the Board.

**Section 2.10 Compensation of Directors.** Members of the Board, as such, may receive, pursuant to a duly approveddirector compensation policy or other resolution of the Board or duly authorized committee of the Board, fees and other compensation for their services as directors, including without limitation their services as members of committees of the Board.

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**ARTICLE III**

**COMMITTEES**

**Section 3.1 Committees.** The Board may designate one or more committees, each committee to consist of one or moreof the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting of such committee who are not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in a resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority in reference to the following matters: (a) approving, adopting, or recommending to the stockholders any action or matter (other than the election or removal of members of the Board) expressly required by the DGCL to be submitted to stockholders for approval or (b) adopting, amending or repealing any bylaw of the Corporation.

**Section 3.2 Committee Rules.** Each committee shall keep records of its proceedings and make such reports as theBoard may from time to time request. Unless the Board otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rules, each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article II of these Bylaws. Except as otherwise provided in the Certificate of Incorporation, these Bylaws or the resolution of the Board designating the committee, any committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and may delegate to any such subcommittee any or all of the powers and authority of the committee.

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**ARTICLE IV**

**OFFICERS; CHAIRPERSON; LEAD INDEPENDENT DIRECTOR**

**Section 4.1 Generally.** The officers of the Corporation shall consist of a Chief Executive Officer, a Chief FinancialOfficer, a Secretary and a Treasurer and may consist of such other officers as may from time to time be appointed by the Board. All officers shall be elected by the Board; *provided*, *however*, that the Board may empower the Chief Executive Officer of the Corporation to appoint any officer other than the Chief Executive Officer, the Chief Financial Officer or the Treasurer. Except as otherwise provided by law, by the Certificate of Incorporation or these Bylaws, each officer shall hold office until such officer’s successor is duly elected and qualified or until such officer’s earlier resignation, death, disqualification or removal. Any number of offices may be held by the same person. Any officer may resign by delivering a resignation in writing or by electronic transmission to the Corporation at its principal office or to the Chairperson of the Board, the Chief Executive Officer, or the Secretary. Such resignation shall be effective upon delivery unless it is specified to be effective at some later time or upon the happening of some later event. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled by the Board and the Board may, in its discretion, leave unfilled, for such period as it may determine, any offices. Each such successor shall hold office for the unexpired term of such officer’s predecessor and until a successor is duly elected and qualified or until such officer’s earlier resignation, death, disqualification or removal.

**Section 4.2 Chief Executive Officer.** Except as may be otherwise determined by the Board from time to time andsubject to the provisions of these Bylaws, the powers and duties of the Chief Executive Officer of the Corporation are:

1. to act as the general manager and, subject to the control of the Board, to have general supervision, direction and control of the business and affairs of the Corporation;
2. subject to Section 1.6 of these Bylaws, to preside at all meetings of the stockholders;
3. subject to Section 1.2 of these Bylaws, to call special meetings of the stockholders to be held at such times and, subject to the limitations prescribed by law or by these Bylaws, at such places as he or she shall deem proper;
4. to affix the signature of the Corporation to all deeds, conveyances, mortgages, guarantees, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board or which, in the judgment of the Chief Executive Officer, should be executed on behalf of the Corporation; to sign certificates for shares of stock of the Corporation (if any); and, subject to the direction of the Board, to have general charge of the property of the Corporation and to supervise and control all officers, agents and employees of the Corporation; and
5. all other duties and powers that are commonly incident to the office of the Chief Executive Officer.

**Section 4.3 Chairperson of the Board.** Subject to the provisions of Section 2.7 of these Bylaws, the Chairperson ofthe Board shall have the power to preside at all meetings of the Board and shall have such other powers and duties as provided in these Bylaws and as the Board may from time to time prescribe. The Chairperson of the Board may or may not be an officer of the Corporation.

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**Section 4.4 Lead Independent Director.** The Board may, in its discretion, elect a lead independent director fromamong its members that are Independent Directors (as defined below) (such director, the “***Lead Independent Director***”). The Lead Independent Director shall preside at all meetings at which the Chairperson of the Board is not present and shall exercise such other powers and duties as may from time to time be assigned to him or her by the Board or as prescribed by these Bylaws. For purposes of these Bylaws, “***Independent Director***” has the meaning ascribed to such term under the rules of the exchange upon which the Corporation’s Class A Common Stock is primarily traded.

**Section 4.5 President.** Unless otherwise determined by the Board, the person holding the office of Chief ExecutiveOfficer shall be the President of the Corporation to the extent such position is deemed necessary or advisable with respect to any corporate requirements or similar governance matters. Subject to the provisions of these Bylaws and as otherwise may be determined by the Board, the President shall perform all duties and have all powers that are commonly incident to the office of President or that are delegated to the President by the Board.

**Section 4.6 Chief Financial Officer.** Subject to the direction of the Board and the Chief Executive Officer, the ChiefFinancial Officer shall perform all duties and have all powers that are commonly incident to the office of Chief Financial Officer, or as the Board or the Chief Executive Officer may from time to time prescribe.

**Section 4.7 Treasurer.** The person holding the office of Chief Financial Officer shall be the Treasurer of theCorporation unless the Board shall have designated another person as the Treasurer of the Corporation. The person holding the office of Treasurer shall have custody of all monies and securities of the Corporation. The Treasurer shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions. The Treasurer shall also perform such other duties and have such other powers as are commonly incident to the office of Treasurer, or as the Board, the Chief Executive Officer or the Chief Financial Officer may from time to time prescribe.

**Section 4.8 Vice President.** Each Vice President shall have all such powers and duties as are commonly incident to theoffice of Vice President or that are delegated to him or her by the Board or the Chief Executive Officer.

**Section 4.9 Secretary.** The Secretary shall issue or cause to be issued all authorized notices for, and shall keep, orcause to be kept, minutes of all meetings of the stockholders and the Board. The Secretary shall have charge of the corporate minute books and similar records and shall perform such other duties and have such other powers as are commonly incident to the office of Secretary, or as the Board or the Chief Executive Officer may from time to time prescribe.

**Section 4.10 Delegation of Authority.** The Board may from time to time delegate the powers or duties of any officer ofthe Corporation to any other officers or agents of the Corporation, notwithstanding any provision hereof.

**Section 4.11 Removal.** Any officer of the Corporation shall serve at the pleasure of the Board and may be removed atany time, with or without cause, by the Board; *provided* that if the Board has empowered the Chief Executive Officer to appoint any officer of the Corporation, then such officer may also be removed by the Chief Executive Officer. Such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation.

**Section 4.12 Voting Shares in Other Business Entities**. The Chairperson, the Chief Executive Officer, the ChiefFinancial Officer, the Secretary, or any other person authorized by the Board may vote, and otherwise exercise on behalf of the Corporation any and all rights and

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powers incident to the ownership of, any and all shares of stock or other equity interest held by the Corporation in any other corporation or other business entity. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

**Section 4.13 Execution of Corporate Contracts and Instruments**. Except as otherwise determined by the Board orotherwise provided in these Bylaws, the Chief Executive Officer, Chief Financial Officer, Secretary and General Counsel, and any other officers, employees or agents of the Corporation designated by the Board or Chief Executive Officer, or other officers, employees or agents of the Corporation specifically delegated authority by the foregoing authorized persons, shall have power to enter into any contract or execute any instrument in the name of and on behalf of the Corporation. Such delegation may be by resolution or otherwise and the authority granted shall be general or confined to specific matters. In the absence of such designation referred to above, the officers of the Corporation shall have such power to the extent incident to the normal performance of their duties.

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**ARTICLE V**

**STOCK**

**Section 5.1 Certificates; Uncertificated Shares.** The shares of capital stock of the Corporation shall be uncertificatedshares; *provided*, *however*, that the resolution of the Board that the shares of capital stock of the Corporation shall be uncertificated shares shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation (or the transfer agent or registrar, as the case may be). Notwithstanding the foregoing, the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be certificated shares. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by, any two authorized officers of the Corporation (it being understood that each of the Chairperson of the Board, the Vice-Chairperson of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary, and any Assistant Secretary shall be an authorized officer for such purpose), representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

**Section 5.2 Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates or Uncertificated Shares.** The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner’s legal representative, to agree to indemnify the Corporation and/or to give the Corporation a bond sufficient to indemnify it, against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

**Section 5.3 Other Regulations.** Subject to applicable law, the Certificate of Incorporation and these Bylaws, the issue,transfer, conversion and registration of shares represented by certificates and of uncertificated shares shall be governed by such other regulations as the Board may establish.

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**ARTICLE VI**

**INDEMNIFICATION**

**Section 6.1 Indemnification of Officers and Directors.** Each person who was or is made a party to, or is threatenedto be made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, legislative or any other type whatsoever (a “***Proceeding***”), by reason of the fact that such person (or a person of whom such person is the legal representative), is or was a director or officer of the Corporation or, while serving as a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, agent or trustee of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (for purposes of this Article VI, an “***Indemnitee***”), shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the DGCL as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes and penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith, provided such Indemnitee acted in good faith and in a manner that the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe the Indemnitee’s conduct was unlawful. Such indemnification shall continue as to an Indemnitee who has ceased to be a director or officer of the Corporation and shall inure to the benefit of such Indemnitees’ heirs, executors and administrators. Notwithstanding the foregoing, subject to Section 6.5 of these Bylaws, the Corporation shall indemnify any such Indemnitee seeking indemnity in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the Board or such indemnification is authorized by an agreement approved by the Board.

**Section 6.2 Advance of Expenses.** The Corporation shall pay all expenses (including attorneys’ fees) incurred by anIndemnitee in defending any Proceeding in advance of its final disposition; *provided*, *however*, that if the DGCL then so requires, the advancement of such expenses shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Indemnitee, to repay such amounts if it shall ultimately be determined that such Indemnitee is not entitled to be indemnified under this Article VI or otherwise.

**Section 6.3 Non-Exclusivity of Rights.** The rights conferred on any person in this Article VI shall not be exclusive ofany other right that such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote or consent of stockholders or disinterested directors, or otherwise. Additionally, nothing in this Article VI shall limit the ability of the Corporation, in its discretion, to indemnify or advance expenses to persons whom the Corporation is not obligated to indemnify or advance expenses pursuant to this Article VI.

**Section 6.4 Indemnification Contracts.** The Board is authorized to cause the Corporation to enter intoindemnification contracts with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee, agent or trustee of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing indemnification or advancement rights to such person. Such rights may be greater than those provided in this Article VI.

**Section 6.5 Right of Indemnitee to Bring Suit.** The following shall apply to the extent not in conflict with anyindemnification contract provided for in Section 6.4 of these Bylaws.

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6.5.1 Right to Bring Suit. If a claim under Section 6.1 or 6.2 of these Bylaws is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Indemnitee shall be entitled to be paid, to the fullest extent permitted by law, the expense of prosecuting or defending such suit. In any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the Indemnitee has not met any applicable standard of conduct which makes it permissible under the DGCL (or other applicable law) for the Corporation to indemnify the Indemnitee for the amount claimed.

6.5.2 Effect of Determination. The absence of a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in applicable law shall not create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit.

6.5.3 Burden of Proof. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VI, or otherwise, shall be on the Corporation.

**Section 6.6 Nature of Rights.** The rights conferred upon Indemnitees in this Article VI shall be contract rights andsuch rights shall continue as to an Indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the Indemnitee’s heirs, executors and administrators. Any amendment, repeal or modification of any provision of this Article VI that adversely affects any right of an Indemnitee or an Indemnitee’s successors shall be prospective only, and shall not adversely affect any right or protection conferred on a person pursuant to this Article VI with respect to any Proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment, repeal or modification. Any reference to an officer of the Corporation in this Article VI shall be deemed to refer exclusively to the Chief Executive Officer, President, Treasurer, Chief Financial Officer, and Secretary of the Corporation appointed pursuant to Article IV of these Bylaws, and to any Vice President, Assistant Secretary, Assistant Treasurer or other officer of the Corporation appointed by the Board of Directors or by the Chief Executive Officer pursuant to Article IV of these Bylaws, and any reference to an officer of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be deemed to refer exclusively to an officer appointed by the board of directors or equivalent governing body of such other entity pursuant to the certificate of incorporation and bylaws or equivalent organizational documents of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. The fact that any person who is or was an employee of the Corporation or an employee of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, but not an officer thereof as described in the preceding sentence, has been given or has used the title of “Vice President” or any other title that could be construed to suggest or imply that such person is or may be such an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall not result in such person being constituted as, or being deemed to be, such an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise for purposes of this Article VI.

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**Section 6.7 Insurance.** The Corporation may purchase and maintain insurance, at its expense, to protect itself and anydirector, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

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**ARTICLE VII**

**NOTICES**

**Section 7.1** **Notice**.

7.1.1 Form and Delivery. Except as otherwise specifically required in these Bylaws (including, without limitation, Section 7.1.2 of these Bylaws) or by applicable law, all notices required to be given pursuant to these Bylaws may (a) in every instance in connection with any delivery to a member of the Board, be effectively given by hand delivery (including use of a delivery service), by depositing such notice in the mail, postage prepaid, or by sending such notice by overnight express courier, facsimile, electronic mail or other form of electronic transmission and (b) be effectively delivered to a stockholder when given by hand delivery, by depositing such notice in the mail, postage prepaid, or by courier service or electronic mail in the manner provided in Section 232 of the DGCL or, if specifically consented to by the stockholder as described in Section 7.1.2 of these Bylaws, by sending such notice by a form of electronic transmission other than electronic mail in the manner prescribed by Section 232 of the DGCL. Any such notice shall be addressed to the person to whom notice is to be given at such person’s address as it appears on the records of the Corporation. The notice shall be deemed given (a) in the case of hand delivery, when received by the person to whom notice is to be given or by any person accepting such notice on behalf of such person, (b) in the case of delivery by mail, upon deposit in the mail, (c) in (i) the case of delivery by overnight express courier to a director, when dispatched or (ii) the case of delivery by courier service to a stockholder, the earlier of when the notice is received or left at such stockholder’s address, and (d) in (i) the case of delivery by electronic mail, when directed to the director’s or stockholder’s electronic mail address unless, in the case of a stockholder, the stockholder has notified the corporation in writing or by electronic transmission of an objection to receiving notice by electronic mail or such notice is prohibited by the last sentence of Section 7.1.2 of these Bylaws or (ii) the case of delivery via facsimile or other form of electronic transmission (other than electronic mail) at the time provided in Section 7.1.2 of these Bylaws.

7.1.2 Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation, or these Bylaws shall be effective if given by a form of electronic transmission (other than electronic mail) consented to by the stockholder to whom the notice is given in accordance with Section 232 of the DGCL. Notice given pursuant to this Section 7.1.2 shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of such posting and the giving of such separate notice; and (iii) if by any other form of electronic transmission (other than electronic mail), when directed to the stockholder. Notwithstanding the foregoing, a notice may not be given to stockholders by an electronic transmission from and after the time that (a) the Corporation is unable to deliver by such electronic transmission two (2) consecutive notices given by the Corporation, (b) such inability becomes known to the Secretary or an Assistant Secretary or to the transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to discover such inability shall not invalidate any meeting or other action.

7.1.3 Affidavit of Giving Notice. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given in writing or by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

**Section 7.2 Waiver of Notice.** Whenever notice is required to be given under any provision of the DGCL, theCertificate of Incorporation or these Bylaws, a written waiver of

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notice, signed by the person entitled to notice, or waiver by electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any waiver of notice.

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**ARTICLE VIII**

**INTERESTED DIRECTORS**

**Section 8.1 Interested Directors.** No contract or transaction between the Corporation and one or more of its membersof the Board or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are members of the board of directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof that authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose, if: (a) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; (b) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board, a committee thereof, or the stockholders, or (d) such matter was handled in accordance with other policies or procedures otherwise approved by the Board or applicable committee in accordance with applicable law, including, without limitation, Title 8, Section 144 of the Delaware General Corporation Law.

**Section 8.2 Quorum.** Interested directors may be counted in determining the presence of a quorum at a meeting of theBoard or of a committee which authorizes the contract or transaction.

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**ARTICLE IX**

**MISCELLANEOUS**

**Section 9.1 Fiscal Year.** The fiscal year of the Corporation shall be the calendar year, unless otherwise determined byresolution of the Board.

**Section 9.2 Seal.** The Board may provide for a corporate seal, which may have the name of the Corporation inscribedthereon and shall otherwise be in such form as may be approved from time to time by the Board.

**Section 9.3 Form of Records.** Any records administered by or on behalf of the Corporation in the regular course of itsbusiness, including its stock ledger, books of account and minute books, may be kept on or by means of, or be in the form of any other information storage device, method or one or more electronic networks or databases (including one or more distributed electronic networks or databases), electronic or otherwise, *provided* that the records so kept can be converted into clearly legible paper form within a reasonable time and otherwise comply with the DGCL. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to any provision of the DGCL.

**Section 9.4 Reliance Upon Books and Records.** A member of the Board, or a member of any committee designatedby the Board shall, in the performance of such person’s duties, be fully protected in relying in good faith upon the books and records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation’s officers or employees, or committees of the Board, or by any other person as to matters the member reasonably believes are within such other person’s professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

**Section 9.5 Certificate of Incorporation Governs.** In the event of any conflict between the provisions of theCertificate of Incorporation and Bylaws, the provisions of the Certificate of Incorporation shall govern.

**Section 9.6 Severability.** If any provision of these Bylaws shall be held to be invalid, illegal, unenforceable or inconflict with the provisions of the Certificate of Incorporation, then such provision shall nonetheless be enforced to the maximum extent possible consistent with such holding and the remaining provisions of these Bylaws (including without limitation, all portions of any section of these Bylaws containing any such provision held to be invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation, that are not themselves invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation) shall remain in full force and effect.

**Section 9.7 Time Periods.** In applying any provision of these Bylaws which requires that an act be done or not bedone a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

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**ARTICLE X**

**AMENDMENT**

Notwithstanding any other provision of these Bylaws, any alteration, amendment or repeal of these Bylaws, and any adoption of new Bylaws, shall require the approval of the Board or the stockholders of the Corporation as expressly provided in the Certificate of Incorporation.

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**CERTIFICATION OF AMENDED AND RESTATED BYLAWS**

**OF**

**BACKBLAZE, INC.**

(a Delaware corporation)

I, Thomas MacMitchell certify that I am Secretary of Backblaze, Inc., a Delaware corporation (the “***Corporation***”), that I am duly authorized to make and deliver this certification, that the attached Bylaws are a true and complete copy of the Amended and Restated Bylaws of the Corporation in effect as of the date of this certificate.

Dated: November 15, 2021

/s/ Thomas MacMitchell



Thomas MacMitchell

Secretary

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**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

**PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO**

**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Gleb Budman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Backblaze, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
   3. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 14, 2021 /s/ Gleb Budman



Gleb Budman

Chief Executive Officer and Chairperson

(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

**PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO**

**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Frank Patchel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Backblaze, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
   3. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 14, 2021 /s/ Frank Patchel



Frank Patchel

Chief Financial Officer

(Principal Financial and Accounting)

**Exhibit 32.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

In connection with the Quarterly Report on Form 10-Q of Backblaze, Inc. (the “Company”) for the quarter ending September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gleb Budman, the Chief Executive Officer and Chairperson of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 14, 2021 /s/ Gleb Budman



Gleb Budman

Chief Executive Officer and Chairperson

(Principal Executive Officer)

**Exhibit 32.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

**PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

In connection with the Quarterly Report on Form 10-Q of Backblaze, Inc. (the “Company”) for the quarter ending September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Frank Patchel, the Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 14, 2021 /s/ Frank Patchel



Frank Patchel

Chief Financial Officer

(Principal Financial and Accounting)