

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended **December 31, 2015**

Commission File Number: **001-36532**

Sphere 3D Corp.

(Exact name of Registrant as specified in its charter)

Ontario, Canada

(Province or Other Jurisdiction of Incorporation or Organization)

7374

(Primary Standard Industrial Classification Code Number)

98-1220792

(I.R.S Employer Identification Number)

240 Matheson Blvd. East

Mississauga, Ontario, Canada, L4Z 1X1

(416) 749-5999

(Address and telephone number of principal executive offices)

Sphere 3D Corp.

125 S. Market Street, Suite 1300, San Jose, California 95113

(408) 283-4700

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchanges on which registered</u>
Common Shares	NASDAQ Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

Annual Information Form Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the Company's classes of capital or common shares as of the close of the period covered by the annual report: 45,198,283 common shares as of December 31, 2015

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Company 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 Company was required to submit and post such files).

Yes No

Principal Documents

The following documents have been filed as part of this Annual Report on Form 40-F, starting on the following section:

A. Annual Information Form

[Annual Information Form of Sphere 3D Corp. \(“Sphere 3D”\) for the year ended December 31, 2015.](#)

B. Audited Annual Financial Statements

[Sphere 3D’s audited consolidated financial statements for the years ended December 31, 2015 and 2014, including the auditor’s report with respect thereto.](#)

C. Management’s Discussion and Analysis

[Sphere 3D’s Management’s Discussion and Analysis for the year ended December 31, 2015.](#)



SPHERE 3D CORP.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2015**

March 30, 2016

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GENERAL

The information, including any financial information, disclosed in this Annual Information Form (“AIF”) is stated as at December 31, 2015 or for the year ended December 31, 2015, as applicable, unless otherwise indicated. Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars and references to “\$” are to the lawful currency of the United States (“U.S.”).

Market data and other statistical information used in this AIF are based on independent industry publications, government publications, reports by market research firms, or other published independent sources. Some data is also based on good faith estimates that are derived from management’s review of internal data and information, as well as independent sources, including those listed above. Although Sphere 3D Corp. (“we”, “us”, “our”, the “Company” or “Sphere 3D”) believes these sources are reliable, Sphere 3D has not independently verified the information and cannot guarantee its accuracy or completeness.

FORWARD-LOOKING INFORMATION

Certain statements in this AIF constitute forward-looking information that involves risks and uncertainties. This forward-looking information includes, but is not limited to, statements with respect to management’s expectations regarding the future growth, results of operations, performance and business prospects of Sphere 3D. This forward-looking information relates to, among other things, the Company’s future business plans and business planning process, the Company’s uses of cash, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Statements with the words “could”, “expects”, “may”, “will”, “anticipates”, “assumes”, “intends”, “plans”, “believes”, “estimates”, “guidance”, and similar expressions are intended to identify statements containing forward-looking information, although not all forward-looking statements include such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to: the limited operating history of Sphere 3D; the ability of Sphere 3D to manage growth; the ability of Sphere 3D to integrate the businesses of Overland Storage, Inc. (“Overland”); the impact of competition; the investment in technological innovation; any defects in components or design of Sphere 3D’s products; the retention or maintenance of key personnel; the possibility of significant fluctuations in operating results; currency fluctuations; the ability of Sphere 3D to maintain business relationships; financial, political or economic conditions; financing risks; future acquisitions; the ability of Sphere 3D to protect its intellectual property; third party intellectual property rights; volatility in the market price for the common shares of the Company; compliance by Sphere 3D with financial reporting and other requirements as a public company; conflicts of interests; future sales of common shares by Sphere 3D’s directors, officers and other shareholders; dilution and future sales of common shares; risks related to the business of Overland and other factors described in this AIF under the heading “Risk Factors”.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this AIF. Accordingly, investors are cautioned not to place undue reliance on such statements.

All of the forward-looking information in this AIF is qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of such document. The Company expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law.

CORPORATE STRUCTURE

Sphere 3D was incorporated on May 2, 2007 under the Business Corporations Act (Ontario) as “T.B. Mining Ventures Inc.” (“T.B. Mining”). In December 2012, a subsidiary of T.B. Mining acquired 100% of the operating business of Sphere 3D Inc. and the former security holders of Sphere 3D Inc. acquired control of the Company through a reverse takeover. In connection with the reverse takeover, the Company changed its name to “Sphere 3D Corporation”. As such, all discussion of the history of the Company and all financial results contained in this AIF relate to Sphere 3D. On December 1, 2014, the Company completed the acquisition of Overland. On March 24, 2015, the Company completed a short-form amalgamation with a wholly-owned subsidiary. In connection with the short-form amalgamation, the Company changed its name to “Sphere 3D Corp.”.

The Company has its main and registered office at 240 Matheson Blvd. East, Mississauga, Ontario, L4Z 1X1.

The following sets forth the structure of the Company and its direct and indirect wholly-owned subsidiaries as at the date hereof (including the jurisdiction of incorporation). The Company holds 100% of the voting interest of its subsidiaries.

Sphere 3D Corp.:

- V3 Systems Holdings, Inc. (Delaware)
- Sphere 3D Inc. (Canada)
 - Frostcat Technologies, Inc. (dissolved as of January 2016) (Ontario)
- Overland Storage, Inc. (California)
 - Overland Storage (Europe), Ltd. (United Kingdom)
 - Overland Storage S.a.r.L. (France)
 - Overland Storage GmbH (Germany)
 - Zetta Systems, Inc. (dissolved as of February 2016) (Washington)
 - Overland Technologies Luxembourg S.a.r.L. (Luxembourg)
 - Tandberg Data Holdings S.a.r.L. (Luxembourg)
 - Tandberg Data SAS (France)
 - Tandberg Data (Asia) Pte., Ltd. (Singapore)
 - Tandberg Data (Japan), Inc. (Japan)
 - Tandberg Data (Hong Kong), Ltd. (Hong Kong)
 - Tandberg Data GmbH (Germany)
 - Tandberg Data Norge AS (Norway)
 - Guangzhou Tandberg Electronic Components Co. Ltd. (China)

GENERAL DEVELOPMENT OF THE BUSINESS DURING THE MOST RECENT THREE YEARS

Sphere 3D delivers containerization and virtualization technologies along with data management products that enable workload-optimized solutions. We achieve this through a combination of containerized applications, virtual desktops, virtual storage and physical hyper-converged platforms. Sphere 3D's value proposition is simple and direct—we allow organizations to deploy a combination of public, private, or hybrid cloud strategies while backing them up with storage solutions.

Sphere 3D, through the design of a proprietary virtualization software, created its own platform, namely Glassware 2.0™ (“Glassware”), for the delivery of applications from a server-based computing architecture. This is accomplished through a number of unique approaches to virtualization utilized by Glassware including the use of software “containers” and “microvisors”. A container refers to software that takes an application and all the things required to run that application and encapsulates them with software. By doing so, users can run numerous applications from a single server and on a single copy of the operating system. A microvisor refers to the technology that allows non-Windows® based applications to run on the same servers as Windows® software through the use of a lightweight emulator.

When utilizing Glassware, software is made available from a central location (hosted software), allowing users access to the hosted software, irrespective of the device that a user is using to access the software. Through this approach, legacy software can be run using Glassware, even if the operating system and the machine for which it was designed is no longer sold or supported. Software publishers, who invest substantial resources to write software code, can be assured that their software can be utilized for as long as it is required and end users that invest in software can mitigate certain risks associated with software end of life compatibility issues.

Glassware is a technology and contains many unique components that can be bundled to create products or whose architecture or unique capabilities can add value to other products. Glassware components include its: containers, microvisors, authentication engine, clustering, persona management, load balancer, remoting technology, custom browser configurator and others. Glassware components are not currently sold as a standalone license but instead are bundled to specific hardware or public clouds for specific use cases. Examples include the G-Series Appliances (a hyperconverged offering), G-Series Cloud (available in Microsoft Azure), and Exosphere (a webscale solution that leverages a combination of Azure and private cloud resources for hybrid use cases). Glassware software sales were not material in 2015 and 2014.

In March 2014, we purchased certain Virtual Desktop Infrastructure (“VDI”) technology, associated trademarks and intellectual property (“IP”), and brand name “V3®”, so that we could add converged infrastructure (“CI”) as part of our offerings (additional details about the acquisition can be found below). The addition of VDI technology allowed us to expand our technology capabilities and provide the intellectual property and industry knowhow for delivering hyperconverged and converged infrastructure for VDI as well as a platform for the introduction of appliances for application virtualization that incorporate our container technologies.

VDI refers to the hosting of virtualized end user desktops on servers either on or offsite. End users then access their virtual desktops over a network using various remote display protocols. End users can access their desktop from a number of different devices and locations. Since the desktops are virtual, they can be centralized and end users can access their desktops and data from multiple locations. CI refers to the consolidation of multiple IT components, such as storage, computing, and network interface, into a single computing package that can then be optimized for specific use cases.

The V3® platform was designed to alleviate these and other barriers to VDI adoption. The V3® hyper-converged infrastructure solution includes one of the industry's first purpose-built appliances (a type of server) for desktop virtualization. Unlike other CI solutions, V3® was designed specifically for the needs of desktop virtualization. The V3® appliance combines storage, computing, network interface, virtualization software and management software to create a single box that can be quickly and easily deployed to deliver VDI. Through the V3 Desktop Cloud Orchestrator® management software for VDI, we can offer a simple user interface that adds additional functionality while reducing the total cost of ownership for VDI implementations.

In May 2014, Sphere 3D entered into a definitive agreement to merge with Overland Storage, Inc. (“Overland”) (as further described below). This acquisition allowed us to add a complete data management and storage portfolio to its offerings. Overland completed a substantial acquisition at the beginning of 2014, the purchase of Tandberg Data Holdings S.à r.l. (“Tandberg Data”).

The addition of Overland provides an integrated range of technologies and services for primary, nearline, offline, and archival data storage. Data storage, management, and backup brands include SnapServer[®], SnapScale[®], SnapSAN[®], NEO[®] and RDX[®]. Collectively, these products are designed to allow easy and cost-effective management of different tiers of information over the entire data lifecycle.

The rationale for the purchase of Overland was multifaceted, and was in part driven by the market for CI that is currently transforming the modern data center, coupled with current trends for hybrid cloud deployments. The portfolio of storage products are listed in greater detail under “*Products and Service*” below. In addition to providing us with a stronger IP portfolio, the acquisition of Overland enables us to capitalize on a global footprint that has been established over more than 30 years, consisting of a service and support infrastructure that would take significant financial and human resource investments to replicate, and a dedicated team of field sales agents, an extensive number of resellers and first tier original equipment manufacturer (“OEM”) partners. We have now assembled a stack of technologies that allows us, through its partners, to deliver a very competitive set of end-to-end solutions with a wide array of deployment options.

During the fourth quarter of 2015, we concluded that our lower net revenue due to timing of projected growth of products and integration of channel partner relationships from the acquisition of Overland could be indicators of impairment and, therefore, performed a third party impairment analysis. At December 31, 2015, as a result of the analysis, we recorded an impairment of \$10.7 million related to developed technology, channel partner relationships, and trade names.

RDX[®] Asset Acquisition

On August 10, 2015, we completed an acquisition of assets related to the RDX[®] removable disk product lines from Imation Corp. (“Imation”). We issued 1,529,126 common shares with an approximate value of \$6.1 million, and a warrant exercisable for 250,000 additional common shares exercisable in connection with certain purchase price adjustments under the asset purchase agreement. In February 2016, Imation exercised the warrant and we issued 250,000 common shares at \$0.01.

Acquisition of Overland

On December 1, 2014, we completed our acquisition of Overland. The acquisition was carried out pursuant to the terms and conditions contained in an Agreement and Plan of Merger dated May 15, 2014 (as amended, the “merger agreement”). Under the terms of the merger agreement, Sphere 3D issued a total of 8,556,865 common shares for all of the outstanding Overland shares on the basis of one Overland share for 0.46385 common shares. In addition, we issued warrants to purchase up to 1,323,897 of its common shares, options to purchase up to 168,488 common shares and 673,776 restricted share units, calculated on the basis of the exchange ratio.

Purchase of VDI Technology

On March 21, 2014, we acquired from V3 Systems certain Virtual Desktop Infrastructure (“VDI”) technology, including V3 Desktop Cloud Orchestrator[®] software, which allows administrators to manage local, cloud hosted, or hybrid virtual desktop deployments, and purpose-built, compact, efficient and easy-to-manage servers. The purchase price for the acquired technology assets of V3 Systems was \$14.4 million, consisting of \$4.2 million in cash and the issuance of 1,089,867 of our common shares at \$5.92.

Financings

In May and June 2015, we completed private placements for a total of 1,621,250 common shares of the Company and warrants to purchase up to 1,621,250 common shares for a gross purchase price of approximately \$5.2 million. The purchase price for one common share and a warrant to purchase one common share was \$3.20. The warrants have an exercise price of \$4.00 per share and a five-year term. These warrants have no anti-dilution provisions. We filed a registration statement to register the resale of the shares to be issued in the offering and the shares issuable upon exercise of the warrants with the U.S. Securities and Exchange Commission (“SEC”).

In August 2015, we completed a private placement of 606,060 common shares of the Company and warrants to purchase up to 606,060 common shares for a gross purchase price of approximately \$2.0 million. The purchase price for one common share and a warrant to purchase one common share was \$3.30. The warrants had an exercise price of \$3.30 per share and a five-year term. We have the right to force the exercise of the warrants if the weighted average price of the common shares for 10 consecutive trading days exceeds 400% of \$2.33. In September 2015, we issued an additional 252,308 common shares and 252,308 warrants to purchase 252,308 common shares in conjunction with the price protection clause in effect through December 31, 2015 and the equity financing completed in September 2015. In December 2015, we issued an additional 141,631 common shares and 141,631 warrants to purchase 141,631 common shares in conjunction with the price protection clause and the equity financing completed in December 2015. The purchase price for one common share and a warrant to purchase one common share was adjusted to \$2.33. We filed a registration statement to register the resale of the shares to be issued in the offering and the shares issuable upon exercise of the warrants with the SEC.

In September and October 2015, we entered into subscription agreements with certain investors pursuant to which we issued, in the aggregate, 1,417,961 common shares, warrants exercisable to purchase up to 354,490 common shares, and adjustment warrants (the "Adjustment Warrants") for an aggregate offering price of approximately \$3.3 million. The purchase price for one common share, a warrant to purchase one quarter of one common share (the "Warrant Shares"), and an Adjustment Warrant was \$2.33. The Adjustment Warrants become exercisable to purchase a number of common shares to be determined at such time following an additional financing by the Company prior to December 31, 2015. Each warrant has an initial exercise price of \$2.33 per Warrant Share. The warrants are immediately exercisable and have a five-year term. Each Adjustment Warrant has an initial exercise price of \$0.01 per common share. In December 2015, we issued an additional 1,297,435 warrants to purchase 1,297,435 common shares in conjunction with the price protection clauses in effect through December 31, 2015 and the equity financing completed in December 2015. Each warrant has an exercise price of \$2.33. In December 2015, we issued 233,964 Adjustment Warrants to purchase 233,964 common shares in conjunction with the equity financing completed in December 2015. In January 2016, 226,539 Adjustment Warrants were exercised at \$0.01 per common share. The remaining Adjustment Warrants will expire on March 31, 2016.

In December 2015, we completed an equity financing of 2,527,500 common shares and warrants to purchase up to 2,527,500 common shares for a gross purchase price of approximately \$5.1 million. The purchase price for one common share and a warrant to purchase one common share was \$2.00. The warrants have an exercise price of \$2.50 per share and a five-year term. We have the right to force the exercise of the warrants if the weighted average price of the common shares for 10 consecutive trading days exceeds 400% of \$1.79. Warrants to purchase up to 1,500,000 common shares include a one-time adjustment provision, as defined in the agreement, which provides that the exercise price will be automatically adjusted, if the adjustment price as calculated on May 28, 2016, is less than \$2.50.

Listing History

On October 31, 2013, our common shares commenced trading on the OTCQX in the U.S. under the ticker symbol "SPIHF".

On June 27, 2014, NASDAQ's Listing Qualifications Department, approved our application to list the common shares and Sphere 3D commenced trading on July 8, 2014 under the symbol "ANY". Upon commencement of trading on the NASDAQ, the common shares ceased to trade on the OTCQX.

On December 10, 2014, we voluntarily delisted our common shares from the TSXV.

On March 24, 2015, we completed a short-form amalgamation with a wholly-owned subsidiary. In connection with the short-form amalgamation, we changed our name to "Sphere 3D Corp."

DESCRIPTION OF THE BUSINESS

Sphere 3D delivers containerization and virtualization technologies along with data management products that enable workload-optimized solutions. We achieve this through a combination of containerized applications, virtual desktops, virtual storage and physical hyper-converged platforms. Our products allow organizations to deploy a combination of public, private or hybrid cloud strategies while backing them up with the latest storage solutions. Sphere 3D, along with its wholly-owned subsidiaries Overland Storage and Tandberg Data, has a portfolio of brands including Glassware, SnapCLOUD™, SnapScale®, SnapServer®, V3®, RDX®, and NEO®.

We have a global presence and maintains offices in multiple locations. Executive offices and our primary operations are conducted from our San Jose, California and San Diego, California locations. The Company's virtualization product development is primarily done from its research and development center near Toronto, Canada.

Information about Products and Services

We divide our worldwide sales into three geographical regions:

- the Americas, consisting of the U.S., Canada and Latin America;
- EMEA, consisting of Europe, the Middle East and Africa; and
- APAC, consisting of Asia Pacific countries.

Sales to customers outside of the U.S. represent a significant portion of our sales and are subject to various risks and uncertainties.

Sales to customers inside the U.S. comprised \$19.1 million and \$3.8 million of Americas net revenue during the years ended December 31, 2015 and 2014, respectively. Sales to customers in Germany accounted for \$17.2 million and \$1.9 million of EMEA's net revenues during the years ended December 31, 2015 and 2014, respectively. No other foreign country had customers that accounted for 10% or more of net revenue in 2015 and 2014.

The following table summarizes net revenue (in thousands):

	Year Ended December 31,	
	2015	2014
Disk systems	\$ 39,836	\$ 8,518
Tape automation systems	12,764	1,868
Tape drives and media	12,914	1,815
Service	10,651	1,268
	<u>\$ 76,165</u>	<u>\$ 13,469</u>

Products and Service

Disk Systems

RDX® Removable Disk Solutions

In 2015, we completed an acquisition of assets related to RDX® removable disk product lines from Imation Corp., which complemented our existing RDX® removable disk solutions. Our RDX® portfolio can use public cloud providers, including Microsoft and Amazon, as a backup target, and our SnapScale® product can be deployed as a standalone private cloud with the use of sync and share technologies for file collaboration. The removable disk solutions can be secured with cartridge encryption for additional levels of security, and is shock resistant to accommodate accidental falls from the rack, desktop, or during transport. We offer two types of RDX® media: media with hard drives inside the cartridge and media with solid-state disks inside. Hard drive RDX® media is designed to provide easy-to-use and reliable data protection, while solid-state disk RDX® media is designed for customers who are operating in environments that need extreme speed and durability in a portable storage device. RDX® removable media are available in several different capacity points, ranging from 64 gigabytes (“GB”) to two terabytes (“TB”) per cartridge.

- The RDX® QuikStor is a single cartridge purpose-built backup solution that combines the portability and reliability of tape-based backup with the speed and simplicity of hard disk drives in order to deliver reliable and convenient storage for backup, archive, data interchange and disaster recovery. RDX® QuikStor utilizes either hard disk drives or SSD drives, with either SATA or USB 3.0 connectivity, and provide up to three TB of data storage.
- The RDX® QuikStation is a network-attached removable disk purpose-built backup system designed to provide a platform for data protection and off-site disaster recovery for SME environments. The RDX® QuikStation can appear to a host as a tape library, a virtual RDX® drive, a standalone tape drive, generic disk drives or a combination of disk and tape, offering users versatility and expanded compatibility.

In 2015, we introduced RDX® QuikStation 4, a lower-end version of the RDX® QuikStation network attached purpose-built backup system, that fit into a slimmer one rack unit space, and includes four slots for RDX+ cartridges. The RDX® QuikStation 4 and is compatible with the previous generation RDX® cartridges. RDX® QuikStation 4 includes a virtual volume feature that enables the system to represent a single logical volume representation by aggregating and virtualizing the combined capacity across all four cartridges.

SnapServer® Network Attached Storage Solutions

Our SnapServer® solutions are an ideal platform for primary or nearline storage, and deliver stability and best-in-class integration with Windows®, UNIX/Linux, and Macintosh environments. For virtual servers and database applications, the SnapServer® family supports iSCSI block-level access with Microsoft VSS and VDS integration to simplify Windows® management. For data protection, the SnapServer® family offers RAID replication, and snapshots for point-in-time data recovery. The SnapServer DX Series™ products support DynamicRAID® and traditional RAID levels 0, 1, 5, 6, and 10.

- The SnapServer® XSR40 is a 1U server that can be configured with up to four SATA II drives, and can scale to 320 TB of storage capacity by adding SnapExpansion enclosures.
- The SnapServer® XSR120 is a 2U server that can be configured with up to 12 SATA II drives, and can scale to 768 TB of storage capacity by adding up to seven SnapExpansion enclosures.

SnapScale® Clustered Network Attached Storage Solutions

Our SnapScale X2® and SnapScale X4™ products are clustered NAS solutions that enable organizations with rapid or unpredictable data growth to scale capacity and performance without adding management complexity. SnapScale® eliminates islands of storage, which enables scaling without having to predict capacity in advance. SnapScale® writes data across multiple nodes and drives simultaneously for instant protection and high availability. SnapScale® uses peer-set protection technology which delivers superior protection against multiple disk failures while enabling faster rebuild of data once the failed disks are replaced. Our SnapScale® products are designed for high performance, high scalability, and are suited for the storage of large amounts of unstructured data.

- The SnapScale X2[®] is a 2U rackmount, which can be configured with up to 12 Nearline SAS hard drives for a maximum capacity of 96 TB per node, and can scale out to over 512 petabytes (“PB”) with two-way or three-way redundancy.
- The SnapScale X4[™] is a high-density 4U rackmount, which can be configured with up to 36 Nearline SAS hard drives for a maximum capacity of 288 TB per node, and can scale out to over 512 PB with two-way or three-way redundancy.

V3[®] Virtual Desktop Infrastructure

V3[®] technologies provide a simplified VDI architecture made possible by our “drop in” appliance approach. Our appliances are workload optimized so that they can provide the performance and scale required to meet the needs of an organization’s applications, data, and desktops and flexibility required to deliver a lower total cost of ownership. V3[®] technologies have been integrated with the latest in virtual desktop technologies from VMware[™] to enable a host of capabilities. Our failover and disaster recovery capabilities allowed the creation of nine separate workload specific appliances. These appliances can address the distributed needs of an organization, regardless of distance between locations or size of workforce, and provide a single pane of glass for managing deployments across geographies. Utilizing proprietary resource scheduling technology enables either user defined, or administrator defined, rights that ensure workloads have dynamic access to resources. In addition, Glassware technology for containerizing commonly used applications delivers performance at a server utilization level that can reduce server sprawl. Glassware containerized applications can be delivered based on policy to the virtual desktop through a VMware[™] portal.

The V3[®] hyper-converged platform is a turn-key, purpose built and custom tuned appliance for high performance virtual desktop infrastructure. V3[®] appliances can accommodate from 50 to 500 virtual Windows[®] desktops per appliance. Each appliance is compatible with V3 Desktop Cloud Orchestrator[®] (“DCO”), described more fully below. V3[®] appliances simplify desktop virtualization with innovative technology that makes it possible to achieve virtual desktop performance that is faster than physical desktops, while hosted from a single server appliance. V3[®] cost benefits are derived from the way the appliances integrate storage, server, and networking resources into one hardware device.

Tape Automation Systems

NEO[®] Tape-Based Backup and Long-Term Archive Solutions

Our NEO Series[®] Tape Libraries, Tape Autoloaders, and stand-alone tape drives are designed for both small and medium businesses looking for simple, cost-effective data protection, as well as for complex enterprise environments with stringent performance and data availability requirements. We provide a broad range of high capacity, high performance, flexible tape-based solutions for data backup, recovery and archive. When combined with our enterprise storage solutions such as SnapServer[®] systems or SnapScale[®] scale-out NAS arrays, our NEO Series[®] products create a complete disk-to-disk-to-tape solution with a variety of storage capacity options. NEO Series[®] tape solutions are designed to utilize the latest linear tape-open (“LTO”) technologies, and can accommodate as many as 42 tape drives or up to 1,000 cartridges for maximum efficiency and data protection.

In October 2015, we announced support of the linear tape-open 7 tape format (“LTO-7”) in our Overland Storage NEO Series[®] tape libraries and autoloaders. This next-generation LTO-7 technology provides up to 15 TB of compressed data per cartridge, compared to the 6.25 TB offered in previous-generation LTO-6 tape drives. Data transfer rates also occur much more rapidly with LTO-7 at rates of up to 750 MB per second, or 2.7 TB per hour per drive. NEO Series[®] tape libraries with LTO-7 technology provide customers with solutions capable of delivering up to eight PB of storage capacity at speeds of up to 64 TB per hour.

- NEO[®] XL-Series libraries are designed for mid-range and enterprise businesses, providing automated backup and archive that combines flexibility, density, high-performance and affordability to ensure that data is protected faster and more cost effectively. NEO[®] XL-Series tape libraries provide data storage capacity that ranges from 90 TB to 8.4 PB, enabling customers to expand their storage capability as their storage requirements changes. NEO[®] XL-Series significantly reduces backup windows and improves efficiency with high-performance data transfer rates that range from 504 GB per hour to over 114 TB per hour. The NEOxl 60 supports up to 60 cartridges (with capacity ranging from 90 TB to 375 TB) and three tape drives (for data transfer rates ranging from 504 GB per hour to 4.3 TB per hour) per module. The NEOxl 80 supports up to 80 cartridges (with capacity ranging from 120 TB to 1.2 PB) and six tape

drives (for data transfer rates ranging from 504 GB per hour to 8.6 TB per hour) per module. Up to six 80-cartridge per six-drive NEOxl Expansion Modules can be added to provide a total of 560 cartridges (with capacity of 8.4 PB) and 42 tape drives (for data transfer rates of 114 TB per hour).

- NEO® S-Series libraries provide affordable tape backup and archive for small and medium businesses. NEO® S-Series libraries are available in compact rack-mount configurations with either SAS or FC connectivity. The NEOs StorageLoader is a 1U, eight-cartridge, single-drive autoloader that provides up to 120 TB of storage capacity. The NEOs T24 is a 2U tape library that supports up to 24 cartridge slots and two tape drives, and delivers up to 360 TB of storage capacity. The NEOs T48 is a 4U tape library that supports up to 48 cartridge slots and four tape drives, with a maximum storage capacity of 720 TB.
- NEO® E-Series provides scalable, high capacity, enterprise-class tape automation designed for large businesses. NEO® E-Series provides enterprise-level RAS (reliability, availability and serviceability) features, such as robotic and power redundancy, partitioning and scalability, to ensure corporate data is reliably protected. The NEO® 8000e is a 43U tape library that supports up to 500 cartridge slots (up to 7.5 PB) and 12 tape drives (up to 32.4 TB per hour) in a single module. For truly enterprise-class storage requirements, the NEO® 8000e is scalable up to 1,000 cartridge slots (15 PB) and 24 tape drives (64 TB per hour).

Tape Drives and Media

In addition to our tape automation solutions, we provide stand-alone LTO tape drives and LTO media products.

- Stand-alone LTO tape drives provide low-cost, compact affordable backup and archive abilities. Available either as internal drives to be integrated into server-based bundles or as external drives for desktop use, stand-alone tape drives deliver storage capacities ranging from 1.5 TB to 15 TB.
- LTO media (data cartridges and cleaning cartridges) allows our customers to purchase the media for their tape drives and libraries at the same time they purchase their NEO Series® solution, providing the ability to have their NEO Series® solution fully operational upon installation. With four generations of LTO tape media (LTO 4, 5, 6, and 7) in our portfolio, native capacities range from 800 GB per cartridge to 6 TB per cartridge.

Service

Customer service and support are key elements of our strategy and critical components of our commitment to making enterprise-class support and services available to companies of all sizes. Our technical support staff is trained to assist our customers with deployment and compatibility for any combination of virtual desktop infrastructures, hardware platforms, operating systems and backup, data interchange and storage management software. Our application engineers assist with more complex customer issues. We maintain global toll-free service and support phone lines and we also provide self-service and support through our website support portal and email.

Our service offerings provide for on-site service and installation options, round-the-clock phone access to solution experts, and proof of concept and architectural design offerings. We are able to provide comprehensive technical assistance on a global scale.

Sales and Distribution

For 2015, our solution-focused product offerings were aimed at small and medium enterprises (“SMEs”), small and medium businesses (“SMBs”), as well as large distributed enterprises. We primarily sell our products through its worldwide distributor and reseller network. A significant portion of our net revenue is derived from a limited number of customers. In 2015 and 2014, the percentage of net revenue that was derived from our top five customers was 35.1% and 34.7%, respectively.

All of our products and services are designed and manufactured to address its customers' requirements and reliability standards. The following provides additional detail on our channels:

- **Distribution channel** — Our primary distribution partners in North America include Promark Technology, Inc., Ingram Micro Inc., Tech Data Corporation, and Synnex Corporation. We have over 50 distribution partners throughout Europe and Asia. We sell through a two-tier distribution model where distributors sell our products to system integrators, VARs or DMRs, who in turn sell to end users. We support these distribution partners through our dedicated field sales force and field engineers. In 2015, no distribution partner accounted for more than 10% of net revenue.
- **Reseller channel** — Our worldwide reseller channel includes systems integrators, VARs and DMRs. Our resellers may package our products as part of complete application and desktop virtualization solutions data processing systems or with other storage devices to deliver complete enterprise IT infrastructure solutions. Our resellers also recommend our products as replacement solutions when systems are upgraded, or bundle our products with storage management software specific to the end user's system. We support the reseller channel through its dedicated field sales representatives, field engineers and technical support organizations.
- **Cloud Marketplace** — In 2015, we added Microsoft Azure Cloud Marketplace as an additional channel for two of our cloud solutions to sell to end-users directly as well as to our traditional channel partners. With the pay per use model, supported through the Microsoft Azure Cloud, our customers now can accelerate their adoption of cloud based application and data delivery.

Production and Service

A significant number of our components and finished products are manufactured or assembled, in whole or in part, by a limited number of third parties. For certain products, we control the design process internally and then outsource the manufacturing and assembly in order to achieve lower production costs. For certain RDX[®] product and SnapServer[®] products, we perform product assembly, integration and testing at our manufacturing facilities in Guangzhou, China.

Customer service and support is provided by our technical support staff, who are trained to assist our customers with deployment and compatibility for any combination of hardware platforms, operating systems and backup, data interchange, and storage management software. Our application engineers assist with more complex customer issues. We maintain global toll-free service and support phone lines and we also provide self-service and support through our website support portal and email.

Specialized Skill and Knowledge

Various aspects of our virtualization technology and data management business require specialized skills and knowledge, including skills and knowledge in the areas of software development, research and development, product marketing, managing third party manufacturing and engineering. We have highly qualified personnel on staff to support these activities in our lines of business and we maintain a recruitment and training program in order to attract and retain specialized skills and knowledge in the organization. However, it is possible that delays and increased costs may be experienced by us in locating and/or retaining skilled and knowledgeable employees.

Competitive Conditions

We believe that our products are unique and innovative and afford us various advantages in the market place; however, the worldwide market for IT is highly competitive. Competitors vary in size from small start-ups to large multi-national corporations which may have substantially greater financial, research and development, and marketing resources. Competitive factors in these markets include performance, functionality, scalability, availability, interoperability, connectivity, time to market enhancements, and total cost of ownership. Barriers to entry vary from low, such as those in traditional disk-based backup products, to high, in tape automation and virtualization software. The markets for all of our products are characterized by price competition and as such we may face price pressure for its products. For a more detailed description of competitive and other risks related to our business, see "Risk Factors."

New Product Introductions

During 2015, we delivered a new family of application containerization products built on the Glassware containerization technology, strengthened our Snap family of enterprise storage solutions, and updated our data retention products with several enhancements. In addition, we further expanded our portfolio by releasing new cloud based solutions on Microsoft Azure Cloud. The offerings include the G-Series Cloud powered by Glassware, and SnapCLOUD™ powered by GuardianOS®. Revenue from these new product introductions were not material in 2015.

G-Series Appliance and G-Series Cloud powered by Glassware

The G-Series appliance powered by Glassware containerization technology simplifies Windows® application migration and enables access from any device including Macintosh, Windows®, iOS, Chromebook, and Android. The G-Series appliance is optimized for simplicity, flexibility and scalability. Through Glassware, a Microsoft Windows® based container technology, organizations looking to migrate applications to the cloud can quickly deploy a complete solution for virtualizing 16-bit, 32-bit, or 64-bit applications with their native functionality intact. For the provisioning of 16-bit application to G-Series appliances, users will often require the skills to package the application, or can contract professional services from the Company or one of our certified system integrators. End users can access the containerized applications from any cloud connected device (iOS, Android or Windows®), through a lightweight downloadable app or simply from a browser. The G-Series eliminates the complex tasks of designing, implementing, and maintaining application hosting environments and provides breakthrough application session density and scale compared to traditional hypervisor-based virtualization solutions.

G-Series Cloud, is our latest product to utilize Glassware, which eliminates the complex task of designing, implementing, and maintaining application-hosting environments, and provides application session density and scale. G-Series Cloud is pre-configured and can be deployed in just minutes. It has a simple user interface to allow for administrators to quickly deploy applications, integrate with existing workflow and enable a mobile workforce.

Virtual Desktop Management Software

The DCO provides a simple user-friendly interface for managing virtual desktop pools on Sphere 3D's V3® Hyper-Converged Appliances for virtualized desktop infrastructures, allowing desktop administrators to quickly create, move, delete and manage desktop pools without requiring extensive knowledge of a VMWare environment. DCO presents on its centralized console, the key tasks that a desktop administrator would need from the underlying system infrastructure built with VMware® View, vCenter, and vSphere. Its key features include: (i) desktop cloud infrastructure dashboard, which provides status of key attributes of the virtual environment; (ii) optimized desktop allocation, which enables pool migration across network resources; (iii) pool management, which allows simplified pool creation and management; and (iv) diagnostics, which provide information about vital performance indicators such as BIOS, processor, memory, temperature and fan status and log file downloading capabilities.

Software-Defined Storage

In 2015, we expanded our software-defined storage offering with the delivery of SnapCLOUD™ on Microsoft Azure Cloud. SnapCLOUD™, when deployed along with SnapServer and SnapScale storage appliances, enables hybrid cloud data management capabilities with the same set of features and operational workflow between on-premise storage and cloud storage. SnapCLOUD™ is an enterprise-class virtual storage platform that gives customers access to unlimited storage in the Microsoft Azure Cloud while maintaining full compatibility with their existing SnapServer® and SnapScale® enterprise storage deployments. This interoperability between on-premises and cloud deployments makes it possible for current SnapServer® and SnapScale® customers to have a SnapCLOUD™ instance integrated into their current infrastructure in minutes, enabling hybrid cloud models almost instantaneously.

Our GuardianOS® storage software is designed for the SnapServer® family of enterprise-grade network attached storage (“NAS”) systems and delivers simplified data management and consolidation throughout distributed IT environments by combining cross-platform file sharing with block-level data access on a single system. The flexibility and scalability of GuardianOS® reduces the total cost of ownership of storage infrastructures for small and medium businesses to large Fortune 500 enterprises. In addition

to a unified storage architecture, GuardianOS® offers highly differentiated data integrity and storage scalability through features such as DynamicRAID®, centralized storage management, and a comprehensive suite of data protection tools.

Our RAINcloud® OS storage software is designed for our SnapScale® series of clustered scale-out data storage solutions that are optimized for cloud and distributed enterprise environments. The software includes software-defined storage services that automatically execute data management and data protection operations without requiring manual intervention. RAINcloud® OS includes the patented Peer Set Protection Technology designed to solve key scalability issues that plague the traditional RAID and replication approach. Peer Sets give SnapScale® the ability to both scale up heterogeneously (add drives of higher capacity to an existing system without affecting existing data) and scale out (add storage unit nodes to a deployment and expand the existing namespace).

The Snap family of products, SnapCLOUD™, SnapScale® and SnapServer®, have integrated data mobility tools to enable customers to build private clouds for sharing and synchronizing data for anytime, anywhere access.

Our Snap Enterprise Data Replicator® (“Snap EDR”) provides multi-directional, WAN-optimized replication for SnapServer® and SnapScale® systems. With Snap EDR, administrators can automatically replicate data between multiple SnapServer® systems for data distribution, data consolidation, and disaster recovery. In 2015, we released parallel replication engine technology for data replication between Snap family storage products.

Our AccuGuard® is a powerful Windows-based backup and recovery data protection software designed to be used with our RDX® QuikStor and QuikStation removable-disk solutions. AccuGuard® is an easy-to-deploy solution that is designed to protect Windows® servers and desktops on physical machines and in virtual environments. AccuGuard® delivers reliable, automated schedule based backup and recovery utilizing a powerful deduplication engine.

Components

We purchase disk drives, tape drives, chassis, printed circuit boards, integrated circuits, and other major components from outside suppliers. We carefully select suppliers based on their ability to provide quality parts and components which meet technical specifications and volume requirements. We actively monitor these suppliers but we are subject to substantial risks associated with the performance of our suppliers. For certain components, we qualify only a single source, which magnifies the risk of shortages and may decrease our ability to negotiate with that supplier. For a more detailed description of risks related to suppliers, see “Risk Factors”.

Intellectual Property

We 3D rely on a combination of patents, trademarks, trade secret and copyright laws, as well as contractual restrictions, to protect the proprietary aspects of our products and services. Although every effort is made to protect Sphere 3D’s intellectual property, these legal protections may only afford limited protection.

We may continue to file for patents regarding various aspects of our products, services and delivery method at a later date depending on the costs and timing associated with such filings. We may make investments to further strengthen our copyright protection going forward, although no assurances can be given that it will be successful in such patent and trademark protection endeavours. We seek to limit disclosure of our intellectual property by requiring employees, consultants, and partners with access to our proprietary information to execute confidentiality agreements and non-competition agreements (when applicable) and by restricting access to our proprietary information. Due to rapid technological change, we believe that factors such as the expertise, technological, and creative skills of our personnel, as well as new services and enhancements to our existing services, are more important to establish and maintain an industry and technology advantage than other available legal protections.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our services or to obtain and use information that we regard as proprietary. The laws of many countries do not protect proprietary rights to the same extent as the laws of the U.S. or Canada. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Any such litigation could result in substantial costs and diversion of resources and could have a material adverse

effect on our business, operating results and financial condition. There can be no assurance that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar services or products. Any failure by us to adequately protect our intellectual property could have a material adverse effect on our business, operating results and financial condition. See “Risks Related to Intellectual Property” under the heading “Risk Factors”.

Seasonality

Since a large portion of our sales is generated by our European channel, our third quarter (July through September) results of operations have been in the past and may continue to be impacted by seasonally slow European orders, reflecting the summer holiday period in Europe.

Employees

Sphere 3D had 429 employees at December 31, 2015.

Foreign Currency Risk

We conduct business on a global basis and a significant portion of our sales in international markets are not denominated in U.S. dollars. Export sales represent a significant portion of our sales and are expected to continue to represent a significant portion of sales. Our wholly-owned foreign subsidiaries incur costs that are denominated in local currencies. As exchange rates vary, these results may vary from expectations when translated into U.S. dollars, which could adversely impact overall expected results.

RISK FACTORS

An investment in our Company involves a high degree of risk. Each of the following risk factors in evaluating our business and prospects as well as an investment in our Company should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the following risks actually occur, our business and financial results could be harmed and the trading price of our common stock could decline.

Risks Related to our Business

If we are unable to generate sufficient cash from operations or raise additional financing, we may be unable to fund our operations.

We require sufficient cash from operations together with cash from debt, equity, or equity based financing to fund our operations as currently conducted. Our available cash and cash equivalents was \$8.7 million and our outstanding indebtedness was \$36.9 million as of December 31, 2015. Cash forecasts and capital requirements are subject to change as a result of a variety of risks and uncertainties. Cash from operations can change as a result of a variety of factors including changes in sales levels, unexpected increases in product costs, increases in operating costs, and changes to the historical timing of collecting accounts receivable. In addition, we expect to continue to need to raise debt, equity, and equity-linked financing in the near future, but such financing may not be available on favorable terms on a timely basis or at all. If we are unable to generate sufficient cash from operations or financing sources, we may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or curtail, suspend or cease planned programs or operations generally or possibly seek bankruptcy protection, which would have a material adverse effect on our business, results of operations, financial position and liquidity.

Our cash and other sources of liquidity may not be adequate to fund our operations for the next 12 months. If we raise additional funding through sales of equity or equity-based securities, your shares will be diluted. If we need additional funding for operations and we are unable to raise it, we may be forced to liquidate assets and/or curtail or cease operations.

We have projected that cash on hand, available borrowings under our credit facility may not be sufficient to allow us to continue operations for the next 12 months. Significant changes from our current forecasts, including, but not limited to: (i) shortfalls from projected sales levels, (ii) unexpected increases in product costs, (iii) increases in operating costs, (iv) changes to the historical timing of collecting accounts receivable and/or (v) failure to secure additional capital under our credit facility or to secure additional debt or equity financing could have a material adverse impact on our ability to operate our business or to access the level of funding necessary to continue operations at current levels. If any of these events occur, we may be forced to make further reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or suspend or curtail planned programs. Any of these actions could materially harm our business, and/or results of operations and future prospects.

We may seek debt, equity, or equity-based financing when market conditions permit. Such financing may not be available on favorable terms, or at all. If we need additional funding for operations and are unable to raise it through debt or equity financings, we may be forced to liquidate assets and/or curtail or cease operations. If we raise additional funds by selling additional shares of our capital stock, or securities convertible into shares of our capital stock, the ownership interest of our existing shareholders will be diluted. The amount of dilution could be increased by the issuance of warrants or securities with other dilutive characteristics, such as anti-dilution clauses or price resets.

We urge you to review the additional information about our liquidity and capital resources in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of this report. If our business ceases to continue as a going concern due to lack of available capital or otherwise, it could have a material adverse effect on our business, results of operations, financial position, and liquidity.

We may not be successful in raising additional capital necessary to meet expected increases in working capital needs. If we need additional funding for operations and we are unable to raise it, we may not be able to continue our business operations.

We expect our working capital needs to increase in the future as we continue to expand and enhance our operations. Our ability to raise additional funds through equity or debt financings or other sources will depend on the financial success of our current business and successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. No assurance can be given that we will be successful in raising the required capital at reasonable cost and at the required times, or at all. Further equity financings may have a dilutive effect on shareholders and any debt financing, if available, may require restrictions to be placed on our future financing and operating activities. If we require additional capital and are unsuccessful in raising that capital, we may not be able to continue our business operations and advance our growth initiatives, which could adversely impact our business, financial condition and results of operations.

We have a limited operating history and a history of net losses. We may not achieve or maintain profitability.

Sphere 3D has only recently moved from being a development stage company to commercial operations. As such, we have a limited operating history and limited non-recurring revenues derived from operations. Significant expenditures have been focused on research and development to create the Glassware 2.0® (“Glassware”) product offering. Sphere 3D’s near-term focus has been in actively developing reference accounts and building sales, marketing and support capabilities. Overland, which we acquired in December 2014, also has a history of net losses since fiscal 2006. We expect to continue to incur net losses and we may not achieve or maintain profitability. We may see continued losses during 2016 and as a result of these and other factors, we may not be able to achieve, sustain or increase profitability in the near future.

Even after the Overland acquisition, Sphere 3D is subject to many risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources, technology, and market acceptance issues. There is no assurance that we will be successful in achieving a return on shareholders’ investment and the likelihood of success must be considered in light of our stage of operations.

Our plans for growth will place significant demands upon our resources. If we are unsuccessful in achieving our plan for growth, our business could be harmed.

We are actively pursuing a plan to market our products throughout Canada, the U.S. and internationally. The plan will place significant demands upon managerial, financial, and human resources. Our ability to manage future growth will depend in large part upon a number of factors, including our ability to rapidly:

- build or leverage, as applicable, a network of channel partners to create an expanding presence in the evolving marketplace for our products and services;
- build or leverage, as applicable, a sales team to keep end-users and channel partners informed regarding the technical features, issues and key selling points of our products and services;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- develop support capacity for end-users as sales increase, so that we can provide post-sales support without diverting resources from product development efforts; and
- expand our internal management and financial controls significantly, so that we can maintain control over our operations and provide support to other functional areas as the number of personnel and size increases.

Our inability to achieve any of these objectives could harm our business, financial condition and results of operations.

Our market is intensely competitive and dynamic. New competing products and services could be introduced at any time that could result in reduced profit margins and loss of market share.

The technology industry is very dynamic, with new technology and services being introduced by a range of players, from larger established companies to start-ups, on a frequent basis. Our competitors may announce new products, services, or enhancements that better meet the needs of end-users or changing industry standards. Further, new competitors or alliances among competitors could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, the worldwide storage market is intensely competitive. A number of manufacturers of tape-based and disk-based storage solutions compete for a limited number of customers. Barriers to entry are relatively low in these markets, and some of our competitors in this market have substantially greater financial and other resources, larger research and development staffs, and more experience and capabilities in manufacturing, marketing and distributing products. Ongoing pricing pressure could result in significant price erosion, reduced profit margins and loss of market share, any of which could have a material adverse effect on our business, results of operations, financial position and liquidity.

Our success depends on our ability to anticipate rapid technological changes and develop new and enhanced products.

The markets for our products are characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of products embodying new technology and the emergence of new industry standards can negatively impact the marketability of our existing products and can exert price pressures on existing products. It is critical to our success that we are able to anticipate and react quickly to changes in technology or in industry standards and to successfully develop, introduce, manufacture and achieve market acceptance of new, enhanced and competitive products on a timely basis and cost-effective basis. We invest substantial resources towards continued innovation; however, there can be no assurance that we will successfully develop new products or enhance and improve our existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not negatively impact us. Our inability to develop products that are competitive in technology and price and that meet end-user needs could have a material adverse effect on our business, financial condition or results of operations.

Development schedules for technology products are inherently uncertain. We may not meet our product development schedules, and development costs could exceed budgeted amounts. Our business, results of operations, financial position and liquidity may be materially and adversely affected if the products or product enhancements that we develop are delayed or not delivered due to developmental problems, quality issues or component shortage problems, or if our products or product enhancements do not achieve market acceptance or are unreliable. We or our competitors will continue to introduce products embodying new technologies, such as new sequential or random access mass storage devices. In addition, new industry standards may emerge. Such events could render our existing products obsolete or not marketable, which would have a material adverse effect on our business, results of operations, financial position and liquidity.

Our business is dependent on the continued market acceptance and usage of tape-based systems. The impact of recent storage technology trends on our business is uncertain.

The industry in which we operate has experienced significant historical growth due to the continuing increase in the demand for storage by consumers, enterprises and government bodies around the world. While information technology spending has fluctuated periodically due to technology transitions and changing economic and business environments, overall growth in demand for storage has continued. Recent technology trends, such as the emergence of hosted storage, software as a service and mobile data access are driving significant changes in storage architectures and solution requirements. The impact of these trends on overall long-term growth patterns is uncertain. Nevertheless, if the general level of historic industry growth, or if the growth of the specific markets in which we compete, were to decline, our business and results of operations could suffer.

As a result of the acquisition of Overland, we expect to derive a portion of our revenue from products that use magnetic tape drives for backup and recovery of digital data. Our tape-based storage solutions now compete directly with other storage technologies, such as hard disk drives, and may face competition in the future from other emerging technologies. The prices of hard disk drives continue to decrease as their capacity and performance increase. We expect our tape-based products to face

increased competition from these alternative technologies and come under increasing pricing pressure. If our strategy to compete in disk-based markets does not succeed, it could have a material adverse effect on our business, results of operations, financial position and liquidity.

Our management team continually reviews and evaluates our product portfolio, operating structure, and markets to assess the future viability of our existing products and market positions. We may determine that the infrastructure and expenses necessary to sustain an existing product offering are greater than the potential contribution margin that we would realize. As a result, we may determine that it is in our best interest to exit or divest one or more existing product offerings, which could result in costs incurred for exit or disposal activities and/or impairments of long-lived assets. Moreover, if we do not identify other opportunities to replace discontinued products or operations, our revenues would decline, which could lead to further net losses and adversely impact the market price of our common stock.

In addition, we could incur charges for excess and obsolete inventory. The value of our inventory may be adversely affected by factors that affect our ability to sell the products in our inventory. Such factors include changes in technology, introductions of new products by us or our competitors, the current or future economic downturns, or other actions by our competitors. If we do not effectively forecast and manage our inventory, we may need to write off inventory as excess or obsolete, which adversely affects cost of sales and gross profit. Our business has previously experienced, and we may in the future experience, reductions in sales of older generation products as customers delay or defer purchases in anticipation of new products that we or our competitors may introduce. We have established reserves for slow moving or obsolete inventory. These reserves, however, may prove to be inadequate, which would result in additional charges for excess or obsolete inventory.

We have granted security interests over certain of our assets in connection with various debt arrangements.

We have granted security interests over certain of our assets in connection with our credit facility and other indebtedness, and we may grant additional security interests to secure future borrowings. If we are unable to satisfy our obligations under these arrangements, we could be forced to sell certain assets that secure these loans, which could have a material adverse effect on our ability to operate our business. In the event we are unable to maintain compliance with covenants set forth in these arrangements or if these arrangements are otherwise terminated for any reason, it could have a material adverse effect on our ability to access the level of funding necessary to continue operations at current levels. If any of these events occur, management may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, and/or suspend or curtail planned programs. Any of these actions could materially harm our business, results of operations and future prospects.

Our products may contain defects in components or design, and our warranty reserves may not adequately cover our warranty obligations for these products.

Although we employ a vigorous testing and quality assurance program, our products may contain defects or errors, particularly when first introduced or as new versions are released. We may not discover such defects or errors until after a solution has been released to a customer and used by the customer and end-users. Defects and errors in our products could materially and adversely affect our reputation, result in significant costs, delay planned release dates and impair our ability to sell our products in the future. The costs incurred in correcting any solution defects or errors may be substantial and could adversely affect our operating margins. While we plan to continually test our products for defects and errors and work with end-users through our post-sales support services to identify and correct defects and errors, defects or errors in our products may be found in the future.

We have also established reserves for the estimated liability associated with product warranties. However, we could experience unforeseen circumstances where these or future reserves may not adequately cover our warranty obligations. For example, the failure or inadequate performance of product components that we purchase could increase our warranty obligations beyond these reserves.

The failure to attract, hire, retain and motivate key personnel could have a significant adverse impact on our operations.

Our success depends on the retention and maintenance of key personnel, including members of senior management and our technical, sales and marketing teams, including personnel who joined Sphere 3D in connection with the Overland acquisition. Achieving this objective may be difficult due to many factors, including competition for such highly skilled personnel; fluctuations in global economic and industry conditions; changes in our management or leadership; competitors' hiring practices; and the effectiveness of our compensation programs. The loss of any of these key persons could have a material adverse effect on our business, financial condition or results of operations. Additionally, prior to our acquisition of Overland, Overland experienced a prolonged period of operating losses and declines in its cash position, which affected Overland's employee morale and retention and may continue to affect the morale and retention of our employees. Our success is also dependent on our continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Any such new hire may require a significant transition period prior to making a meaningful contribution. Competition for qualified employees is particularly intense in the technology industry, and we have in the past experienced difficulty recruiting qualified employees. Our failure to attract and to retain the necessary qualified personnel could seriously harm our operating results and financial condition. Competition for such personnel can be intense, and no assurance can be provided that we will be able to attract or retain highly qualified technical and managerial personnel in the future, which may have a material adverse effect on our future growth and profitability. We do not have key man insurance.

Our financial results may fluctuate substantially for many reasons, and past results should not be relied on as indications of future performance.

Our revenues and operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, including, but not limited to:

- varying size, timing and contractual terms of orders for our products, which may delay the recognition of revenue;
- competitive conditions in the industry, including strategic initiatives by us or our competitors, new products or services, product or service announcements and changes in pricing policy by us or our competitors;
- market acceptance of our products and services;
- our ability to maintain existing relationships and to create new relationships with channel partners;
- the discretionary nature of purchase and budget cycles of our customers and end-users;
- the length and variability of the sales cycles for our products;
- general weakening of the economy resulting in a decrease in the overall demand for our products and services or otherwise affecting the capital investment levels of businesses with respect to our products or services;
- timing of product development and new product initiatives.
- changes in customer mix;
- increases in the cost of, or limitations on, the availability of materials;
- fluctuations in average selling prices;
- changes in product mix;
- increases in costs and expenses associated with the introduction of new products; and
- currency exchange fluctuations.

Further, the markets that we serve are volatile and subject to market shifts that we may be unable to anticipate. A slowdown in the demand for workstations, mid-range computer systems, networks and servers could have a significant adverse effect on the demand for our products in any given period. In the past, we have experienced delays in the receipt of purchase orders and, on occasion, anticipated purchase orders have been rescheduled or have not materialized due to changes in customer requirements.

Our customers may cancel or delay purchase orders for a variety of reasons, including, but not limited to, the rescheduling of new product introductions, changes in our customers' inventory practices or forecasted demand, general economic conditions affecting our customers' markets, changes in our pricing or the pricing of our competitors, new product announcements by us or others, quality or reliability problems related to our products, or selection of competitive products as alternate sources of supply. In particular, our ability to forecast sales to distributors, VARs and DMRs is especially limited because these customers typically provide us with relatively short order lead times or are permitted to change orders on short notice. Because a large portion of our sales is generated by our European channel, our third quarter (July through September) results of operations have been in the past and may be in the future impacted by seasonally slow European orders, reflecting the summer holiday period in Europe.

Thus, there can be no assurance that we will be able to reach profitability on a quarterly or annual basis. We believe that our revenue and operating results will continue to fluctuate, and that period-to-period comparisons are not necessarily meaningful and should not be relied on as indications of future performance. Our revenue and operating results may fail to meet the expectations of public market analysts or investors, which could have a material adverse effect on the price of our common stock. In addition, portions of our expenses are fixed and difficult to reduce if our revenues do not meet our expectations. These fixed expenses magnify the adverse effect of any revenue shortfall.

Our plans for implementing our business strategy and achieving profitability are based upon the experience, judgment and assumptions of our key management personnel, and available information concerning the communications and technology industries. If management's assumptions prove to be incorrect, it could have a material adverse effect on our business, financial condition or results of operations.

We are subject to exchange rate risk in connection with our international operations.

A substantial portion of our revenue is earned in U.S. dollars and Euros. Fluctuations in the exchange rate between the U.S. dollar and other currencies, may have a material adverse effect on our business, financial condition and operating results. Further, our sales in international markets are denominated in U.S. dollars as well as local currency. Our wholly-owned subsidiaries in Canada, Europe and Asia incur costs that are denominated in local currencies. As exchange rates vary, these results when translated into U.S. dollars may vary from expectations and adversely impact overall expected results. A weaker U.S. dollar would result in an increase to revenue and expenses upon consolidation, and a stronger U.S. dollar would result in a decrease to revenue and expenses upon consolidation. There can be no assurances that we will prove successful in our effort to manage currency risk, which may adversely impact our operating results.

We rely on indirect sales channels to market and sell our branded products. Therefore, the loss of, or deterioration in, our relationship with one or more of our distributors or resellers could negatively affect our operating results.

We have relationships with third party resellers, OEMs, system integrators and enterprise application providers that facilitate our ability to sell and implement our products. These business relationships are important to extend the geographic reach and customer penetration of our sales force and ensure that our products are compatible with customer network infrastructures and with third party products. Further, we sell all of our Overland branded products through our network of distributors, VARs, and DMRs, who in turn sell our products to end users.

We believe that our success depends, in part, on our ability to develop and maintain strategic relationships with resellers, independent software vendors, OEMs, system integrators, and enterprise application providers. Should any of these third parties go out of business, or choose not to work with us, we may be forced to increase the development of those capabilities internally, incurring significant expense and adversely affecting operating margins. Any of these third parties may develop relationships with other companies, including those that develop and sell products that compete with ours. We could lose sales opportunities if we fail to work effectively with these parties or they choose not to work with us. Most of our distributors and resellers also carry competing product lines that they may promote over our products. A distributor or reseller might not continue to purchase our products or market them effectively, and each determines the type and amount of our products that it will purchase from us and the pricing of the products that it sells to end user customers. Further, the long-term success of any of our distributors or resellers is difficult to predict, and we have no purchase commitments or long-term orders from any of them to assure us of any baseline sales through these channels.

Therefore, the loss of, or deterioration in, our relationship with one or more of our distributors or resellers could negatively affect our operating results. Our operating results could also be adversely affected by a number of factors, including, but not limited to:

- a change in competitive strategy that adversely affects a distributor's or reseller's willingness or ability to stock and distribute our products;
- the reduction, delay or cancellation of orders or the return of a significant amount of our products;
- the loss of one or more of our distributors or resellers; and
- any financial difficulties of our distributors or resellers that result in their inability to pay amounts owed to us.

If our suppliers fail to meet our manufacturing needs, it would delay our production and our product shipments to customers and this could negatively affect our operations.

Some of our products have a large number of components and subassemblies produced by outside suppliers. We depend greatly on these suppliers for items that are essential to the manufacture of our products, including tape drives and printed circuit boards. We work closely with our regional, national and international suppliers, which are carefully selected based on their ability to provide quality parts and components that meet both our technical specifications and volume requirements. For certain items, we qualify only a single source, which magnifies the risk of shortages and decreases our ability to negotiate with that supplier on the basis of price. From time to time, we have in the past been unable to obtain as many drives as have needed due to drive shortages or quality issues from certain of our suppliers. If these suppliers fail to meet our manufacturing needs, it would delay our production and our product shipments to customers and negatively affect our operations.

Our international operations are important to our business and involve unique risks related to financial, political, and economic conditions.

We expect sales to customers outside of the U.S. to represent a significant portion of our total sales in the future and we may be subject to additional risks associated with doing business in foreign countries. Our future results could be materially adversely affected by a variety of political, economic or other factors relating to our operations outside the U.S., any or all of which could have a material adverse effect on our operating results and financial condition. In addition to the language barriers, different presentations of financial information, different business practices, and other cultural differences and barriers, ongoing business risks may result from the international political situation, uncertain legal systems and applications of law, prejudice against foreigners, corrupt practices, uncertain economic policies and potential political and economic instability. In doing business in foreign countries we may also be subject to such risks, including, but not limited to, the following:

- cultural and language differences;
- increased costs of doing business in countries with limited infrastructure;
- possible difficulties in collecting accounts receivable;
- corporate and personal liability for violations of local laws;
- the worldwide impact of the recent global economic downturn and related market uncertainty, including the ongoing European economic and financial turmoil related to sovereign debt issues in certain countries;
- the imposition of governmental controls mandating compliance with various foreign and U.S. export laws;
- currency exchange fluctuations;
- weak economic conditions in foreign markets;
- political or social unrest;
- economic instability or weakness in a specific country or region;

- environmental and trade protection measures and other legal and regulatory requirements;
- health or similar issues, such as pandemic or epidemic or natural disasters;
- trade restrictions, tariffs and taxes;
- expropriation;
- longer payment cycles typically associated with international sales; and
- difficulties in staffing and managing international operations.

We also may face competition from local companies which have longer operating histories, greater name recognition, and broader customer relationships and industry alliances in their local markets, and it may be difficult to operate profitably in some markets as a result of such competition.

Furthermore, we may be unable to comply with changes in foreign laws, rules and regulations applicable to us in the future, which could have a material adverse effect on our business, results of operations, financial position and liquidity.

We are subject to laws, regulations and similar requirements, changes to which may adversely affect our business and operations.

We are subject to laws, regulations and similar requirements that affect our business and operations, including, but not limited to, the areas of commerce, intellectual property, income and other taxes, labor, environmental, health and safety, and our compliance in these areas may be costly. While we have implemented policies and procedures to comply with laws and regulations, there can be no assurance that our employees, contractors, suppliers or agents will not violate such laws and regulations or our policies. Any such violation or alleged violation could materially and adversely affect our business. Any changes or potential changes to laws, regulations or similar requirements, or our ability to respond to these changes, may significantly increase our costs to maintain compliance or result in our decision to limit our business or products, which could materially harm our business, results of operations and future prospects.

The Dodd-Frank Wall Street Reform and Consumer Protection Act includes provisions regarding certain minerals and metals, known as conflict minerals, mined from the Democratic Republic of Congo and adjoining countries. These provisions require companies to undertake due diligence procedures and report on the use of conflict minerals in its products, including products manufactured by third parties. Compliance with these provisions will cause us to incur costs to certify that our supply chain is conflict free and we may face difficulties if our suppliers are unwilling or unable to verify the source of their materials. Our ability to source these minerals and metals may also be adversely impacted. In addition, our customers may require that we provide them with a certification and our inability to do so may disqualify us as a supplier.

Furthermore, future changes to U.S. tax laws could materially adversely affect Sphere 3D. Under current law, Sphere 3D is expected to be treated as a foreign corporation for U.S. federal income tax purposes. However, changes to the rules in Section 7874 of the Code or the Treasury regulations promulgated thereunder or other guidance issued by the Treasury or the Internal Revenue Service (“IRS”) could adversely affect Sphere 3D’s status as a foreign corporation for U.S. federal income tax purposes, and any such changes could have prospective or retroactive application. On May 20, 2014, Senator Carl Levin and Representative Sander M. Levin introduced the Stop Corporate Inversions Act of 2014 (the “Inversion Bill”) in the Senate and the House of Representatives, respectively. Similar legislation was introduced by Senator Dick Durbin and Representative Sander M. Levin on January 20, 2015. In its current form, the Inversion Bill would treat Sphere 3D as a U.S. corporation if the management and control of the expanded affiliated group which includes Sphere 3D occurs, directly or indirectly, primarily within the U.S. and the expanded affiliated group has significant U.S. business activities. If enacted, the Inversion Bill would apply to taxable years ending after May 8, 2014. Because certain members of Sphere 3D’s senior management team reside in the U.S., and are expected to continue to reside in the U.S., Sphere 3D could be treated as a U.S. corporation if the Inversion Bill becomes law.

If our common stock is delisted from NASDAQ, our business, financial condition, results of operations and stock price could be adversely affected, and the liquidity of our stock and our ability to obtain financing could be impaired.

Maintaining the listing of our common stock on the NASDAQ Global Market requires that we comply with certain listing requirements. If our common stock ceases to be listed for trading on NASDAQ for any reason, it may harm our stock price, increase the volatility of our stock price, decrease the level of trading activity and make it more difficult for investors to buy or sell shares of our common stock. Our failure to maintain a listing on NASDAQ may constitute an event of default under our outstanding indebtedness as well as any future indebtedness, which would accelerate the maturity date of such debt or trigger other obligations. In addition, certain institutional investors that are not permitted to own securities of non-listed companies may be required to sell their shares, which would adversely affect the trading price of our common stock. If we are not listed on NASDAQ, we will be limited in our ability to raise additional capital we may need.

We have made a number of acquisitions in the past and we may make acquisitions in the future. Our ability to identify complementary assets, products or businesses for acquisition and successfully integrate them could affect our business, financial condition and operating results.

In the future, we may continue to pursue acquisitions of assets, products or businesses that we believe are complementary to our existing business and/or to enhance our market position or expand our product portfolio. There is a risk that we will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into our operations. We are likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Acquisitions may involve a number of other risks, including:

- diversion of management's attention;
- disruption to our ongoing business;
- failure to retain key acquired personnel;
- difficulties in integrating acquired operations, technologies, products or personnel;
- unanticipated expenses, events or circumstances;
- assumption of disclosed and undisclosed liabilities; and
- inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

If we do not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on our business, results of operations and financial condition. Problems with an acquired business could have a material adverse effect on our performance or our business as a whole. In addition, if we proceed with an acquisition, our available cash may be used to complete the transaction, diminishing our liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

We are implementing cost reduction efforts. We may need to implement additional cost reduction efforts, which could materially harm our business.

Since our acquisition of the Overland business, we have been implementing certain cost reduction efforts, which we intend to continue. There can be no assurance that these cost reduction efforts will be successful. As a result, we may need to implement further cost reduction efforts across our operations, such as further reductions in the cost of our workforce and/or suspending or curtailing planned programs, either of which could materially harm our business, results of operations and future prospects.

Risks Related to Intellectual Property

Our ability to compete depends in part on our ability to protect our intellectual property rights.

Our success depends in part on our ability to protect our rights in our intellectual property. We rely on various intellectual property protections, including copyright, trade-mark and trade secret laws and contractual provisions, to preserve our intellectual property rights. We have filed a number of patent applications and have historically protected our intellectual property through trade secrets and copyrights. As our technology is evolving and rapidly changing, current intellectual property rights may not adequately protect us.

Intellectual property rights may not prevent competitors from developing products that are substantially equivalent or superior to our products. Competitors may independently develop similar products, duplicate our products or, if patents are issued to us, design around these patents. To the extent that we have or obtain patents, such patents may not afford meaningful protection for our technology and products. Others may challenge our patents and, as a result, our patents could be narrowed, invalidated or declared unenforceable. The patents that are material to our business will begin to expire in November 2015. In addition, our current or future patent applications may not result in the issuance of patents in the U.S. or foreign countries.

Although we believe we have a proprietary platform for our technologies and products, we may in the future become subject to claims for infringement of intellectual property rights owned by others. Further, to protect our own intellectual property rights, we may in the future bring claims for infringement against others.

Our commercial success depends, in part, upon not infringing intellectual property rights owned by others. Although we believe that we have a proprietary platform for our technologies and products, we cannot determine with certainty whether any existing third party patents or the issuance of any third party patents would require us to alter our technology, obtain licenses or cease certain activities. We may become subject to claims by third parties that our technology infringes their intellectual property rights. While we provide our customers with a qualified indemnity against the infringement of third party intellectual property rights, we may become subject to these claims either directly or through indemnities against these claims that we routinely provide to our end-users and channel partners.

Further, our customers may use our products in ways that may infringe the intellectual property rights or third parties and/or require a license from third parties. Although our customers are contractually obligated to use our products only in a manner that does not infringe third party intellectual property rights, we cannot guarantee that such third parties will not seek remedies against us for providing products that may enable our customers to infringe the intellectual property rights of others.

In addition, we may receive in the future, claims from third parties asserting infringement, claims based on indemnities provided by us, and other related claims. Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary or other rights, or to establish our proprietary or other rights. Furthermore, despite precautions, it may be possible for third parties to obtain and use our intellectual property without our authorization. Policing unauthorized use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of Canada or the U.S. To protect our intellectual property, we may become involved in litigation. In addition, other companies may initiate similar proceedings against us. The patent position of information technology firms in particular is highly uncertain, involves complex legal and factual questions, and continues to be the subject of much litigation. No consistent policy has emerged from the U.S. Patent and Trademark Office or the courts regarding the breadth of claims allowed or the degree of protection afforded under information technology patents.

Some of our competitors have, or are affiliated with companies having, substantially greater resources than us and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than us. Regardless of their merit, any such claims could:

- divert the attention of our management, cause significant delays, materially disrupt the conduct of our business or materially adversely affect our revenue, financial condition and results of operations;
- be time consuming to evaluate and defend;

- result in costly litigation and substantial expenses;
- cause product shipment delays or stoppages;
- subject us to significant liabilities;
- require us to enter into costly royalty or licensing agreements;
- require us to modify or stop using the infringing technology; or
- result in costs or other consequences that have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Public Company Status and Our Common Shares

The market price of our common stock is volatile.

The market price for common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including 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;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- future capital raising activities;
- sales of common shares by holders thereof or by us;
- failure of securities analysts to maintain coverage of Sphere 3D, changes in financial estimates by securities analysts who follow Sphere 3D, 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;
- market acceptance of our products and technologies;
- 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 and the applicable Canadian securities regulatory authorities;
- 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;
- 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 us and our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our executive officers and other key personnel or Board of Directors;

- general economic conditions and slow or negative growth of our markets;
- release of transfer restrictions on certain outstanding common shares;
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in our industry or target markets.

Financial markets may experience price and volume fluctuations that affect the market prices of equity securities of companies and that are unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the common shares may decline even if our operating results, underlying asset values or prospects have not changed. As well, certain institutional investors may base their investment decisions on consideration of our governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in our common shares by those institutions, which could adversely affect the trading price of our common shares. There can be no assurance that fluctuations in price and volume will not occur due to these and other factors.

In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may in the future be a target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention from day-to-day operations and consume resources, such as cash. In addition, the resolution of those matters may require us to issue additional common shares, which could potentially result in dilution to our existing shareholders. Expenses incurred in connection with these matters (which include fees of lawyers and other professional advisors and potential obligations to indemnify officers and directors who may be parties to such actions) could adversely affect our cash position. See "Legal Proceedings and Regulatory Actions".

We must comply with the financial reporting requirements of a public company, as well as other requirements associated with being listed on NASDAQ. Additional reporting requirements could apply if we lose our status as a Foreign Private Issuer or as an Emerging Growth Company.

Sphere 3D is subject to reporting and other obligations under applicable Canadian securities laws, SEC rules and the rules of the NASDAQ Global Market. These reporting and other obligations, including National Instrument 52-102 - Continuous Disclosure Obligations and National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, place significant demands on our management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause us to fail to meet our reporting obligations or result in material misstatements in our consolidated financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially harmed, which could also cause investors to lose confidence in our reported financial information, which could result in a lower trading price of our common shares.

Management does not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error, or fraud may occur and not be detected.

In addition to these reporting requirements, additional reporting requirements may apply if Sphere 3D loses its status as a Foreign Private Issuer under the U.S. Securities Exchange Act of 1934. Sphere 3D is considered a "foreign private issuer" under the rules of the SEC. As a result, Sphere 3D is subject to the reporting requirements under the Exchange Act applicable to foreign private issuers. Sphere 3D is required to file its annual report on Form 20-F with the SEC within three months of its fiscal year end, or Form 40-F, if applicable, with the SEC at the time it files its annual information form with the applicable Canadian Securities Regulatory authorities. In addition, Sphere 3D must furnish reports on Form 6-K to the SEC regarding certain information required to be publicly disclosed by Sphere 3D in Canada or filed with the NASDAQ Global Market and which was made public by the

NASDAQ Global Market, or regarding information distributed or required to be distributed by Sphere 3D to its shareholders. Moreover, Sphere 3D is not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies (or foreign companies that do not qualify as “foreign private issuers”) whose securities are registered under the Exchange Act. Sphere 3D is not required to comply with Regulation FD, which addresses certain restrictions on the selective disclosure of material information. In addition, among other matters, Sphere 3D’s officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of Sphere 3D common shares. If Sphere 3D loses its status as a foreign private issuer, it will no longer be exempt from such rules and, among other things, will be required to file periodic reports and financial statements as if it were a company incorporated in the United States. Sphere 3D does, however, file quarterly financial information under Canadian periodic reporting requirements for public corporations, which is accessible through the Internet at www.sedar.com, and will furnish such quarterly financial information to the SEC under cover of Form 6-K, which is available at www.sec.gov. Insiders of Sphere 3D are generally required to disclose their trading in Sphere 3D shares within 5 days of the date of the trade and these trading activity reports can be accessed through the Internet at www.sedi.ca.

Sphere 3D is an “emerging growth company” as defined in the Jumpstart Our Business Startups (“JOBS”) Act, enacted on April 5, 2012, and Sphere 3D will continue to qualify as an “emerging growth company” until the earliest to occur of: (a) the last day of the fiscal year during which Sphere 3D has total annual gross revenues of \$1.0 billion or more; (b) the last day of the fiscal year of Sphere 3D following the fifth anniversary of the date of the first sale of common equity securities of Sphere 3D pursuant to an effective registration statement under the Securities Act; (c) the date on which Sphere 3D has, during the previous three-year period, issued more than \$1.0 billion in nonconvertible debt; or (d) the date on which Sphere 3D is deemed to be a ‘large accelerated filer’.

For so long as Sphere 3D continues to qualify as an emerging growth company, it will be exempt from the requirement to include an auditor attestation report relating to internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act (“SOA”) in its annual reports filed under the Exchange Act, even if it does not qualify as a “smaller reporting company”. In addition, section 103(a)(3) of the SOA has been amended by the JOBS Act to provide that, among other things, auditors of an emerging growth company are exempt from any rules of the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the registrant (auditor discussion and analysis).

Any U.S. domestic issuer that is an emerging growth company is able to avail itself of the reduced disclosure obligations regarding executive compensation in periodic reports and proxy statements, and to not present to its shareholders a nonbinding advisory vote on executive compensation, obtain approval of any golden parachute payments not previously approved, or present the relationship between executive compensation actually paid and our financial performance. As a foreign private issuer, Sphere 3D is not subject to such requirements, and will not become subject to such requirements even if we were to cease to be an emerging growth company.

Sphere 3D is and will remain through December 31, 2016, an “emerging growth company” within the meaning under the JOBS Act, and until Sphere 3D ceases to be an emerging growth company Sphere 3D may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the SOA. Investors may find our common stock less attractive because Sphere 3D relies on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We may be treated as a Passive Foreign Investment Company.

There is also an ongoing risk that Sphere 3D may be treated as a Passive Foreign Investment Company, or PFIC, for U.S. federal income tax purposes. A non-U.S. corporation generally will be considered to be a PFIC for any taxable year in which 75 percent or more of its gross income is passive income, or 50 percent or more of the average value of its assets are considered “passive assets” (generally, assets that generate passive income). This determination is highly factual, and will depend upon, among other things, Sphere 3D’s market valuation and future financial performance. Sphere 3D believes that it was classified as a PFIC during the tax year ended December 31, 2013. However, based on current business plans and financial expectations, Sphere 3D

expects that it will not be a PFIC for its current tax year ending December 31, 2014 and 2015, as well as current business plans and financial expectations, Sphere 3D expects that it will not be a PFIC for its current tax year ending December 31, 2016 and for the foreseeable future. If Sphere 3D were to be classified as a PFIC for any future taxable year, holders of Sphere 3D common shares who are U.S. taxpayers would be subject to adverse U.S. federal income tax consequences.

There is a possibility that, in the future, certain of our directors, officers and management could be in a position of conflict of interest.

Certain of the directors, officers and members of management of Sphere 3D may also serve as directors and/or officers of other companies. We may contract with such directors, officers, members of management and such other companies or with affiliated parties or other companies in which such directors, officers or members of management own or control. These persons may obtain compensation and other benefits in transactions relating to Sphere 3D. Consequently, there exists the possibility for such directors, officers and members of management to be in a position of conflict. Any decision made by any of such directors, officers and members of management involving Sphere 3D are being made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Sphere 3D.

Future sales of common shares by directors, officers and other shareholders could adversely affect the prevailing market price for common shares.

Subject to compliance with applicable securities laws, officers, directors and other shareholders and their respective affiliates may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of the common shares prevailing from time to time. However, the future sale of a substantial number of common shares by Sphere 3D's officers, directors and other shareholders and their respective affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the common shares.

We may issue an unlimited number of common shares. Future sales of common shares will dilute your shares.

Sphere 3D's articles permit the issuance of an unlimited number of common shares, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of Sphere 3D have the discretion to determine the price and the terms of issue of further issuances of common shares in accordance with applicable laws.

Risks Related to the Integration of Overland into Sphere 3D's Business

Overland's ongoing integration may also affect our operations by disrupting our ongoing business, causing the loss of customers, clients or strategic alliances, or by causing a failure to manage expanded operations.

In order to achieve the benefits of the acquisition of Overland, we must successfully retain staff, consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner, and realize the anticipated growth opportunities from combining Overland's business and operations with those of Sphere 3D. Although the existing corporate management team of Overland is employed by Sphere 3D following the closing of the merger, the continuing integration of Overland requires the dedication of management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters.

Further, the integration process may result in the disruption of ongoing business and customer relationships that may adversely affect our ability to achieve the anticipated benefits of the merger. In addition, we do not have an established and profitable history of integrating acquisitions. Potential difficulties we may encounter as part of the integration process include the following:

- the potential inability to successfully combine Overland's business with Sphere 3D's business in a manner that permits us to achieve the cost synergies expected to be achieved as a result of the completion of the merger and other benefits anticipated to result from the merger;
- the potential inability to integrate Overland's customer-facing products and services;
- challenges leveraging the customer information and technology of the two companies;

- challenges effectuating the diversification strategy, including challenges achieving revenue growth from sales of each of the company's products and services to the clients and customers of the other company;
- challenges integrating foreign operations;
- increased risks in performing a higher proportion of business through foreign operations;
- complexities associated with managing the combined businesses, including difficulty addressing possible differences in corporate cultures and management philosophies and the challenge of integrating complex systems, technology, networks, and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, clients, employees, lenders, and other constituencies; and
- challenges in obtaining sufficient capital and liquidity to achieve the business plan.

Expanded operations could also present a problem for our management. As a result of the merger, the size of our business has increased significantly. Our future success depends, in part, upon our ability to manage this expanded business, which poses substantial challenges such as challenges related to the management and monitoring of new operations, significantly increased foreign operations, and associated increased costs and complexity. There can be no assurances that we will be successful in managing these risks.

Further, the merger may result in a loss of customers, clients and strategic alliances. As a result of the merger, some of the customers, clients, potential customers or clients or strategic partners of Overland or Sphere 3D may terminate their business relationship with us. Potential clients or strategic partners may delay entering into, or decide not to enter into, a business relationship with us because of the merger. If customer or client relationships or strategic alliances are adversely affected by the merger, our business and financial performance would suffer.

DIVIDENDS AND DISTRIBUTIONS

The Company has not declared or paid any dividends on its common shares to date. The Company's current intention is to retain any future earnings to support the development of the business of Sphere 3D and does not anticipate paying cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Board of Directors of Sphere 3D after taking into account various factors, including but not limited to the financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that Sphere 3D may be a party to at the time. Accordingly, investors must rely on sales of their Sphere 3D common shares after price appreciation, which may never occur, as the only way to realize a return on their investment.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of common shares. As of December 31, 2015, 45,198,283 common shares were issued and outstanding.

The common shares are not redeemable or convertible. Each common share carries the right to receive notice of and one vote at a meeting of shareholders, the right to participate in any distribution of the assets of the Company on liquidation, dissolution or winding up, and the right to receive dividends if, as and when declared by the board of directors of the Company. There are no pre-emptive or conversion rights and no provisions for redemption or purchase for cancellation, surrender, or sinking or purchase funds. All of the outstanding common shares are fully paid and non-assessable.

Governance

NASDAQ Listing Rule 5635 generally provides that shareholder approval is required of U.S. domestic companies listed on the NASDAQ Capital Market prior to issuance (or potential issuance) of securities equaling 20% or more of the company's common stock or voting power for less than the greater of market, or book value or in transactions which will result in a "change of control" of the Company. Notwithstanding this general requirement, NASDAQ Listing Rule 5615(a)(3)(A) permits foreign private issuers like Sphere 3D to follow their home country practice rather than this shareholder approval requirement. Sphere 3D,

therefore, is not required to obtain such shareholder approval prior to entering into a transaction with the potential to issue securities as described above. Sphere 3D relied upon this exemption in connection with the integrated offerings of common shares and warrants to purchase common shares consummated in September, October, and December 2015, and in connection with the warrant exchange in March 2016.

Share Capital

There are no limitations on the rights to own Sphere 3D's securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on Sphere 3D's common shares imposed by Canadian law or by the charter or other constituent document of the company. As of March 7, 2016, approximately 42% of the common shares were held by residents of the U.S. and there were 12 holders of record in the U.S. The actual number of holders is greater than these numbers of record holders, and includes beneficial owners whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include holders whose shares may be held in trust by other entities. Additionally, within the past five years, more than 10% of our capital stock was paid for with assets other than cash.

MARKET FOR SECURITIES

Our common shares are listed and posted for trading on the NASDAQ under the trading symbol "ANY".

The monthly price ranges and volumes of trading of the outstanding common shares as reported by the NASDAQ (OTCQX) during 2015 are set forth in the following table:

Period	High	Low	Volume
January	\$6.00	\$3.60	2,865,075
February	\$4.88	\$3.35	4,984,417
March	\$7.49	\$3.52	8,449,002
April	\$4.70	\$2.98	10,514,630
May	\$4.59	\$3.11	9,423,695
June	\$5.46	\$3.60	6,376,637
July	\$5.73	\$4.60	6,219,311
August	\$4.96	\$2.22	11,982,008
September	\$2.93	\$1.66	5,518,751
October	\$3.80	\$1.95	7,519,409
November	\$2.78	\$1.68	5,281,274
December	\$1.94	\$1.30	7,401,381

Prior Sales

Date	Type of Issuance	Number	Price of Issuance
February 2015	Warrants	100,000	\$4.50
March 2015	Warrants	100,000	\$7.21
March 2015	Warrants	100,000	\$5.02
May 2015	Common Shares	1,591,250	\$3.20
May 2015	Warrants	1,591,250	\$4.00
June 2015	Common Shares	30,000	\$3.20
June 2015	Warrants	30,000	\$4.00
June 2015	Common Shares	157,872	\$4.90
August 2015	Common Shares	1,529,126	\$4.02
August 2015	Common Shares	606,060	\$3.30
August 2015	Warrants	606,060	\$2.33 (1)
August 2015	Warrants	250,000	\$0.01
September 2015	Common Shares	1,072,961	\$2.33
September 2015	Common Shares	252,308	\$0.00
September 2015	Warrants	252,308	\$2.33
September 2015	Warrants	268,240	\$2.33
September 2015	Warrants	177,039	\$0.01
October 2015	Common Shares	345,000	\$2.33
October 2015	Warrants	86,250	\$2.33
October 2015	Warrants	56,925	\$0.01
December 2015	Common Shares	2,527,500	\$2.00
December 2015	Warrants	2,527,500	\$2.50
December 2015	Warrants	1,297,435	\$2.33
December 2015	Common Shares	510,590	\$1.54
December 2015	Warrants	500,000	\$1.54
December 2015	Common Shares	141,631	\$0.00
December 2015	Warrants	141,631	\$0.01

(1) In September 2015, the exercise price of the warrant was adjusted from \$3.30 to \$2.33 in conjunction with the price protection clause in the agreement.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Escrowed Shares

Certain common shares were subject to escrow in accordance with TSXV policies. There were two separate escrow agreements in place which were subject to different rates of release. The following table summarizes the common shares that were issued by the Company:

	Surplus Share Escrow		Value Share Escrow		Total	
	Number	%	Number	%	Number	%
Balance at December 31, 2013	3,724,000	80	2,583,751	60	6,307,751	70
Released June 27, 2014	465,500	10	645,937	15	1,111,437	13
Released December 27, 2014	698,250	15	645,938	15	1,344,188	15
Balance at December 31, 2014	2,560,250	55	1,291,876	30	3,852,126	42
Released June 27, 2015	698,250	15	645,938	15	1,344,188	15
Released December 27, 2015	1,862,000	40	645,938	15	2,507,938	27
Total subject to escrow at December 31, 2015	—	—	—	—	—	—

DIRECTORS AND OFFICERS

Directors and Officers

The following table sets out, as of the date hereof, for each of the directors and executive officers of the Company, the person's name, municipality of residence, positions with the Company (i.e., directorship) and principal occupation during the five preceding years. The term of office for each of the directors will expire at the time of the next annual meeting of the shareholders of the Company.

As of the date hereof, the directors and executive officers of the Company collectively beneficially own, directly or indirectly, or exercise control and direction over 3,887,622 common shares representing, in the aggregate approximately 8.6% of the issued and outstanding common shares, calculated on a fully diluted basis.

Name, Position and Province/State and Country of Residence	Director Since	Principal Occupation During the Five Preceding Years
Peter Ashkin(2)(3)(4)(5) Director California, United States	January 16, 2012(1)	Managing Partner, Baker, Cook and Constable LLC (formerly Peter Ashkin Consulting)
Mario Biasini Director Ontario, Canada	October 21, 2009(1)	Founder and President, Promotion Depot, Inc. Former President, Sphere 3D
Daniel J. Bordessa(2)(3) Director Cayman Islands, British Overseas Territories	December 1, 2014	Partner, Cyrus Capital Partners, L.P.
Glenn M. Bowman(2)(3)(4)(5) Director Ontario, Canada	January 16, 2012(1)	Managing Director, CCC Investment Banking Former Managing Partner, Capital Canada Limited
Eric L. Kelly Chief Executive Officer, Chairman and Director California, United States	July 15, 2013	Chief Executive Officer, Sphere 3D Former President and Chief Executive Officer, Overland Storage, Inc.
Vivekanand Mahadevan(2)(4)(5) Director California, United States	December 1, 2014	Chief Executive Officer, Dev Solutions, Inc. Former Chief Strategy Officer, NetApp
Peter Tassiopoulos President, Vice Chairman and Director Ontario, Canada	March 7, 2014	President, Sphere 3D Former Chief Executive Officer, Sphere 3D Former Independent Consultant
Kurt L. Kalbfleisch Senior Vice President and Chief Financial Officer California, United States	N/A	Senior Vice President and Chief Financial Officer, Sphere 3D Former Senior Vice President and Chief Financial Officer, Overland Storage, Inc.
Randall T. Gast Senior Vice President and Chief Operating Officer California, United States	N/A	Senior Vice President and Chief Operating Officer, Sphere 3D Former Senior Vice President and Chief Operating Officer, Overland Storage, Inc.

- (1) Includes period as Director of the predecessor company, Sphere 3D Inc.
- (2) Independent director. See “Audit Committee - Audit Committee Composition”.
- (3) Member of Audit Committee.
- (4) Member of Compensation Committee.
- (5) Member of the Nominating and Governance Committee.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders

No director or executive officer of the Company is, as of the date of this AIF, or within 10 years before the date of this AIF was a director, chief executive officer, or chief financial officer of any company, that:

- (a) was subject to an order that was issued while acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For these purposes, “order” means a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

Bankruptcies

No director or executive officer of the Company or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

No director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Certain directors and officers of the Company may be associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Company. In particular, certain directors and officers are involved in managerial and/or director positions with other companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Company. Conflicts, if any, will be

subject to the procedures and remedies provided under the *Business Corporations Act* (Ontario). The *Business Corporations Act* (Ontario) provides, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the *Business Corporations Act* (Ontario).

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The text of the Audit Committee’s charter is attached as Schedule “A”

Audit Committee Composition

The members of the Company’s Audit Committee are:

Glenn M. Bowman (Chair)	Independent ⁽¹⁾	Financially Literate ⁽²⁾
Peter Ashkin	Independent ⁽¹⁾	Financially Literate ⁽²⁾
Daniel J. Bordessa	Independent ⁽¹⁾	Financially Literate ⁽²⁾

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- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the board of directors, reasonably interfere with the exercise of a member’s independent judgment.
 - (2) An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

Relevant Education, Experience, and Attributes

The Company’s Board of Directors has determined that each member of the Company’s Audit Committee has adequate education and experience that will be relevant to his performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with the following attributes:

- (a) an understanding of the body of the generally accepted accounting principles used by the Company to prepare its financial statements;
- (b) the ability to assess the general application of the above noted principles in connection with the accounting for estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements or experience actively supervising individuals engaged in such activities;
- (d) an understanding of internal controls for financial reporting; and
- (e) an understanding of audit committee functions.

In addition, the Company’s Board of Directors has determined that each member of the Company’s Audit Committee is independent as that term is defined by the rules and regulations of the NASDAQ Stock Market, Inc. and qualifies as an “audit committee financial expert” as defined in Item 407(d)(5) of Regulation S-K under the U.S. Securities Exchange Act of 1934, as amended.

Glenn M. Bowman - Chairman

Mr. Bowman is a current member of the Board and serves as the Chairman of the Audit Committee. Mr. Bowman is Managing Director with CCC Investment Banking (“CCC”). Mr. Bowman was Managing Partner with Capital Canada Limited (“Capital Canada”) from 2003 to 2014. Mr. Bowman is a Chartered Accountant and a Fellow of the Institute of Chartered Professional Accountants of Ontario. He served on the Accounting Standards Board of the Canadian Institute of Chartered Accountants from 2002 to 2006. Mr. Bowman’s responsibilities at CCC and Capital Canada include investment banking, financial advisory work, and financial restructuring services. Prior to joining Capital Canada, Mr. Bowman was the President and Director of investment bank Houlihan Lokey Howard & Zukin Canada where he was responsible for managing the Canadian operations, including new business and staff development. Mr. Bowman has extensive experience in a wide range of topics including mergers and acquisitions, private placements of debt and equity, financial restructurings, business and securities valuations, fairness opinions, and preparation and assessment of financial forecasts. Mr. Bowman previously served on the board of directors of Rockcliff Resources Inc., a Canadian resource exploration company, and was a member of its audit committee (2010-2015) the board of directors of WireIE Holdings International Inc. (privately held), a global provider of IP based broadband wireless network solutions, and served as Chairman of Alliance Financing Group Inc. (renamed Stream Ventures Inc.). Mr. Bowman is a Chartered Accountant, Chartered Business Valuator, and Certified Fraud Examiner. He holds a Corporate Finance Qualification from the Canadian Institute of Chartered Accountants. Mr. Bowman is a Graduate from the University of Toronto.

Peter Ashkin

Mr. Ashkin is a current member of the Board and also serves as the Chairman of its Compensation Committee. Mr. Ashkin has been a Managing Partner of Baker, Cook and Constable LLC, a venture capital firm that focuses on investing in, and operating high-tech start-up companies since March 2012 and President of Peter Ashkin Consulting, a consulting agency that focuses on high-tech start-up companies since 2006. Previously, Mr. Ashkin served as President of the Technology Group for CanWest Mediaworks (2004 - 2006), one of Canada’s largest media company at that time, with multiple locations across Canada consisting of newspapers, broadcast television and cable. Prior to CanWest, Mr. Ashkin served as President of Product Strategy for AOL (America Online) (2001 - 2004), the world’s largest Internet provider at that time. Mr. Ashkin also served as Senior Vice President and Chief Technology Officer of Gateway Computer (1998 - 2001) and prior thereto a number of senior and executive management positions at both Toshiba Corporation and Apple. As a result of the various positions he has held and his current consulting and venture capital work, Mr. Ashkin has gained an understanding of accounting principles and the ability to analyze and evaluate the financial statements of the Company. Mr. Ashkin has a Bachelor of Science in Electrical Engineering from Massachusetts Institute of Technology.

Daniel J. Bordessa

Mr. Bordessa is a Partner of Cyrus Capital Partners, L.P. (“Cyrus”) an affiliate of the Company, since March 2005, and was formerly a Managing Director of Cyrus Capital Partners Europe, LLP. Mr. Bordessa has been actively involved in the financial advisory and investment business through equity and debt investments in public and private companies. Mr. Bordessa is responsible for the origination, execution and management of complex financial transactions on behalf of the funds which Cyrus manages. Mr. Bordessa also sits on a number of boards of public and privately held companies in Canada and internationally. Mr. Bordessa holds a M.B.A. from the Schulich School of Business at York University in Toronto and an Honours Bachelor of Commerce from Carleton University in Ontario.

Audit Committee Oversight

At no time since the commencement of the Company’s most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on the exemptions in NI 52-110 (de minimis non-audit services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has the authority to pre-approve all non-audit services to be provided to the Company by its independent auditor. All services provided by Moss Adams and Collins Barrow during the years 2015 and 2014, respectively, were pre-approved by the Audit Committee.

External Auditor Service Fees

The aggregate fees incurred by the Company's current external auditor, Moss Adams, in each of the last two years for audit and other fees are as follows (in thousands):

	2015	2014
Audit fees ⁽¹⁾	\$ 553	\$ 450
Audit related fees ⁽²⁾	61	13
Tax fees ⁽³⁾	51	—
All other fees ⁽⁴⁾	—	—
	<u>\$ 665</u>	<u>\$ 463</u>

- (1) Audit fees consist of fees billed for professional services rendered in connection with the audit of our annual consolidated financial statements, which were provided in connection with statutory and regulatory filings or engagements. In 2014, the auditor changed from Collins Barrow to Moss Adams.
- (2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements, and are not reported under audit fees.
- (3) Tax fees consist of fees billed for professional services rendered for IRS Section 302 net operating loss limitation study.
- (4) All other fees consist of fees for products and services other than the services reported above. There were no such services rendered to us.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is, from time to time, subject to claims and suits arising in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending proceedings will not have a material effect on the Company's results of operations, financial position or cash flows.

Patent Litigation Funding Agreement

In December 2010, we entered into a litigation funding agreement (the "Funding Agreement") with Special Situations Fund III QP, L.P., Special Situations Private Equity Fund, L.P., Special Situations Technology Fund, L.P., and Special Situations Technology Fund II, L.P. (collectively, the "Special Situations Funds") pursuant to which the Special Situations Funds agreed to fund certain patent litigation brought by the Company. In May 2014, the Special Situations Funds filed a complaint against us in the Supreme Court for New York County, alleging breach of the Funding Agreement. The Special Situations Funds allege that our January 2014 acquisition of Tandberg Data entitled the Special Situation Funds to a \$6.0 million payment under the Funding Agreement, and therefore the Company's refusal to make the payment constitutes a breach of the Funding Agreement by us. In November 2014, the Special Situations Funds amended their complaint to allege that we breached the Funding Agreement's implied covenant of good faith and fair dealing by settling the patent litigation with BDT in bad faith to avoid a payment obligation under the Funding Agreement. The Special Situations Funds are seeking \$6.0 million in contractual damages as well as costs and fees. We believe the lawsuit to be without merit and intend to vigorously defend against the action. Discovery has closed, and the parties are briefing motions for summary judgment.

Patent Infringement

In June 2012, Overland filed patent infringement lawsuits in the U.S. District Court for the Southern District of California against Spectra Logic Corporation (“Spectra Logic”), based in Boulder, Colorado and Qualstar Corporation (“Qualstar”), based in Simi Valley, California. In the Spectra Logic case, Overland claimed infringement of U.S. Patent Nos. 6,328,766 and 6,353,581. In the Qualstar case, Overland claimed infringement of U.S. Patent No. 6,328,766. In August 2015, Overland and Spectra Logic entered into a settlement agreement to resolve all litigation, and the litigation has now been dismissed. In August 2015, Overland dismissed its claims against Qualstar.

In May 2013, Safe Storage LLC (“Safe Storage”), a Delaware limited liability company, filed a complaint against Overland in the U.S. District Court for the District of Delaware alleging infringement of U.S. Patent No. 6,978,346 by our products. Safe Storage is seeking monetary damages from us and injunctive relief. In January 2015, the Delaware district court entered an order staying Safe Storage’s case against us pending the outcome of a Petition for Inter Partes Review of the claims of U.S. Patent No. 6,978,346 filed by defendants in other Safe Storage litigation (IPR2014-00901). On December 9, 2015, a Final Decision was issued in the Inter Partes Review proceeding finding the challenged claims to be patentable over the cited prior art. Those defendants have the right to appeal the decision to the Court of Appeals for the Federal Circuit. On January 8, 2016, Safe Storage filed an opposed motion to lift the stay in the case. On March 11, 2016, the Court denied the motion and ruled that the stay will remain in place until any appeal of the IPR proceeding is resolved.

Merger

In May 2014, we announced that we had signed an agreement and plan of merger with Overland. Since the merger was announced, four separate putative shareholder class action lawsuits were filed against us, Overland, and all of its directors in the California Superior Court in and for the County of San Diego (the “Court”). Three of the lawsuits also named Cyrus Capital Partners, the majority shareholder of Overland, as a defendant. On June 25, 2014, the Court entered an order providing for the consolidation of all cases relating to Overland’s decision to enter into the merger agreement with Sphere 3D. These cases have been consolidated before a single judge and are referred to as *In re Overland Storage Inc., Shareholder Litigation*, Lead Case No. 37-2014-00016017-CU-SL-CTL (the “Consolidated Action”). On July 30, 2014, the plaintiffs filed their consolidated amended complaint. The lawsuit alleged breaches of fiduciary duties and conflicts of interest against Overland’s directors relating to the merger process, the terms of the merger agreement, and the consideration to be received by Overland’s shareholders under the terms of the merger agreement. The lawsuit alleged that we and the other defendants aided and abetted the purported breaches of fiduciary duties by Overland’s directors. The relief sought included an injunction prohibiting the consummation of the merger, rescission of the merger to the extent already implemented or rescissory damages, damages, and an award of attorneys’ fees and costs.

On October 13, 2014, the plaintiffs and the defendants entered into a memorandum of understanding (the “Memorandum of Understanding”) to settle the Consolidated Action subject to court approval. The Memorandum of Understanding provided, among other things, for the inclusion of supplemental disclosures in Amendment No. 2 to the Registration Statement on Form F-4 that was filed with the SEC on October 14, 2014. On April 20, 2015, as provided in the Memorandum of Understanding, the plaintiffs and the defendants entered into a stipulation of settlement (the “Stipulation”) to settle the Consolidated Action subject to court approval. The settlement terms in the Stipulation were as had been provided for in the Memorandum of Understanding. On June 26, 2015, the Court preliminarily approved the proposed settlement, and on October 2, 2015, the Court granted final settlement approval and dismissed the litigation as provided for in the settlement.

Other

On April 9, 2015, Imation filed a complaint in Minnesota state court alleging claims for declaratory relief, breach of contract, and tortious interference with contract against Tandberg Data Corp., Tandberg Data Holdings S.a.r.L., Overland Storage, Inc., and Sphere 3D Corp. (collectively “Defendants”) related to Imation’s RDX business. In the lawsuit, Imation accuses Defendants of anticipatory breach of an RDX-related license agreement that Imation entered into with ProStor Systems, Inc. (“ProStor”) in 2006. This lawsuit was dismissed with prejudice on August 11, 2015 in connection with the Company’s purchase of the assets related to the RDX[®] removable disk product lines and existing related inventory assets from Imation.

In April 2015, we filed a proof of claim in connection with bankruptcy proceedings of V3 Systems, Inc. (“V3”) based on breaches by V3 of the Asset Purchase Agreement entered into between V3 and the Company dated February 11, 2014 (the “APA”). On October 6, 2015, U.S. Dissolution Liquidating Trust (“UD Trust”), the apparent successor to V3, filed a complaint against us and certain of our current and former directors in the U.S. Bankruptcy Court for the District of Utah Central Division objecting to our proof of claim and asserting claims for affirmative relief against us and our directors. This complaint alleges, among other things, that Sphere breached the APA and engaged in certain other actions and/or omissions that caused V3 to be unable to timely sell the Sphere common shares received by V3 pursuant to the APA. The plaintiff seeks, among other things, monetary damages for the loss of the potential earn-out consideration, the value of the common shares held back by us pursuant to the APA and costs and fees. We believe the lawsuit to be without merit and intend to vigorously defend against the action.

On December 23, 2015, we filed a motion seeking to dismiss the majority of the claims asserted by the UD Trust. On January 13, 2016, we filed a counterclaim against the UD Trust in which we allege that V3 breached numerous provisions of the APA. In addition, we filed a motion seeking to withdraw the reference to the Bankruptcy Court and to instead have this dispute decided by the U.S. District Court for the District of Utah.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Related parties of the Company include the Company’s directors, key management personnel and persons that beneficially own, control or direct, directly or indirectly, more than 10% of the voting securities of the Company. Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. There were no transactions within the last three financial years or during the current financial year that have materially affected, or reasonably expected to materially affect, the Company except for the following:

Related Party Convertible Notes. On December 1, 2014, in connection with the acquisition of Overland, the existing debt of Overland and the remaining debt of the Company were amended and restated into a \$19.5 million convertible note with FBC Holdings. The convertible note is scheduled to mature March 31, 2018 and bears interest at an 8% simple annual interest rate, payable semi-annually. The convertible note was originally convertible into common shares at a price equal to \$7.50 per share with respect to \$10 million of the convertible note and \$8.50 per share with respect to \$9.5 million of the convertible note. In November 2015, the convertible note was modified and the conversion prices of \$7.50 per share and \$8.50 per share were adjusted to \$3.00 per share.

In June and December 2015, we issued 157,872 and 510,590 common shares, respectively, for the payment of interest expense on our convertible note.

In February 2016, in connection with the November 2015 modification and certain specified terms, we issued to the holder of the convertible note a warrant to purchase 500,000 of common shares of the Company at a price of \$1.62.

Related Party Credit Facility. On December 30, 2014, we entered into a revolving credit agreement with FBC Holdings (an affiliate of Cyrus Capital Partners) for a revolving credit facility of \$5.0 million. On July 10, 2015, the credit facility was amended to extend the scheduled maturity date to May 2016 with an automatic extension to November 2016, and the aggregate borrowing amount was increased to \$10.0 million. In connection with this amendment, we agreed to issue warrants in connection with draws on the credit facility. At December 31, 2015, the Company had \$10.0 million outstanding on the credit facility.

In February 2015, we issued warrants to purchase up to 100,000 common shares to FBC Holdings in connection with draws on our related party credit facility. The warrants expire in February 2018 and have an exercise price of \$4.50 per share.

In March 2015, we issued warrants to purchase up to 200,000 common shares to FBC Holdings in connection with draws on our related party credit facility. The warrants expire in March 2018 and have an exercise price of: (i) in the case of 100,000 of the warrants, \$7.21 per share; and (ii) in the case of 100,000 of the warrants, \$5.02 per share.

In December 2015, we issued warrants to purchase 500,000 common shares of the Company to FBC Holdings in connection with draws on our related party credit facility. The warrants expire in December 2018 and have an exercise price of \$1.54 per share.

Related Party Warrant Exchange Agreement. The Company has entered into a warrant exchange agreement (the “Warrant Exchange Agreement”), dated March 25, 2016, with MacFarlane Family Ventures, LLC (the “Holder”) pursuant to which the Company agreed to issue a warrant (the “New Warrant”) for the purchase of up to 7,199,216 common shares (the “Warrant Shares”), no par value, in a privately negotiated exchange under Section 3(a)(9) of the Securities Act of 1933, as amended, in exchange for the surrender and cancellation of previously outstanding warrants for the purchase of up to, in aggregate, 3,031,249 common shares (the “Previously Outstanding Warrants”). The Previously Outstanding Warrants were issued pursuant to: (i) that certain Purchase Agreement, dated as of May 13, 2015, by and between the Company and the Holder (the “May Purchase Agreement”); (ii) that certain Purchase Agreement, dated as of August 10, 2015, by and between the Company and the Holder (the “August Purchase Agreement”); and (iii) that certain Subscription Agreement, dated as of September 22, 2015, by and between the Company and the Holder (the “2015 Subscription Agreement”). The terms of the New Warrant are substantially similar to the Previously Outstanding Warrants except: (i) in the case of the Previously Outstanding Warrants issued pursuant to the May Purchase Agreement, the exercise price has changed from \$4.00 per common share to \$1.22 per common share; (ii) in the case of the Previously Outstanding Warrants issued pursuant to the August Purchase Agreement and the 2015 Subscription Agreement, the exercise price has changed from \$2.33 per common share to \$1.22 per common share; and (iii) the expiry date has changed from various dates between May 18, 2020 and September 22, 2020 to April 14, 2016. However, if the holder exercises the New Warrant for the purchase of at least 3,031,249 common shares before April 14, 2016, then the expiry date for the balance of any unexercised portion of the New Warrant shall become March 25, 2021. On March 25, 2016, the Holder exercised 3,031,249 of the Warrant Shares for 3,031,249 common shares pursuant to which the Company received \$3.7 million in proceeds. The expiration date for the remaining balance of the New Warrant is March 25, 2021.

The Company also entered into a Registration Rights Agreement (the “Registration Rights Agreement”), dated as of March 25, 2016, with the Holder. Pursuant to the Registration Rights Agreement, the Company has agreed to file a registration statement with the SEC by April 14, 2016 to register the resale of the Warrant Shares and use its commercially reasonable efforts to have the registration statement declared effective by the SEC as soon as practicable.

TRANSFER AGENTS AND REGISTRARS

The Company’s transfer agent and registrar in Canada is TMX Equity Transfer Services Inc., located at Suite 300, 200 University Avenue, Toronto, Ontario, M5H 4H1. The Company’s co-transfer agent and registrar in the U.S. is Continental Stock Transfer & Trust, located at 17 Battery Place, 8th Floor, New York, New York 10004.

MATERIAL CONTRACTS

The following are material contracts, other than contracts in the ordinary course of business, which have been entered into by Sphere 3D and/or its subsidiaries and are in effect:

1. Voting Agreements each dated July 15, 2013 between Eric L. Kelly and various shareholders of the Company.
2. Board Nomination Right Agreement dated July 15, 2013 between Eric L. Kelly and the Company.
3. Special Warrant Indenture dated June 5, 2014 between the Company and Equity Financial Trust Company.
4. 8% Senior Secured Convertible Debenture dated December 1, 2014 between the Company and FBC Holdings S.A.R.L. for \$19.5 million.
5. Escrow Agreement dated December 1, 2014 between the Company and Continental Stock Transfer and Trust Company.
6. Revolving Credit Agreement dated December 30, 2014 between the Company, Overland Storage, Inc. and FBC Holdings S.A.R.L. for \$5.0 million.
7. Amended and Restated Loan and Security Agreement dated December 31, 2014 between Overland, Tandberg Data GmbH, Sphere 3D, and Silicon Valley Bank.
8. Purchase Agreement dated May 13, 2015 between the Company and Lynn Factor for the purchase of up to 500,000 common shares and warrants exercisable for the purchase of up to 500,000 common shares, for an aggregate purchase price of \$1.6 million. (May/June 2015 Private Placement - see General Development of the Business)
9. Purchase Agreement dated May 13, 2015 between the Company and MacFarlane Family Ventures, LLC for the purchase of up to 781,250 common shares and warrants exercisable for the purchase of up to 781,250 common shares, for an aggregate purchase price of \$2.5 million. (May/June 2015 Private Placement - see General Development of the Business)
10. First Amendment to Revolving Credit Agreement dated July 10, 2015 between the Company, Overland Storage, Inc. and FBC Holdings S.A.R.L. (see Interest of Management and Others in Material Transactions)
11. Amendment No. 2 to Amended and Restated Loan and Security Agreement dated July 29, 2015 between Overland, Tandberg Data GmbH, Sphere 3D and Silicon Valley Bank.
12. Asset Purchase Agreement dated August 10, 2015 between Imation Corp., Overland Storage, Inc. and Sphere 3D Corp. (see General Development of the Business)
13. Lock-Up Agreement dated August 10, 2015 between Imation Corp. and Sphere 3D Corp.
14. Purchase Agreement dated August 10, 2015 between the Company and MacFarlane Family Ventures, LLC, as amended for the purchase of up to 606,060 common shares and warrants exercisable for the purchase of up to 606,060 common shares, for an aggregate purchase price of \$2.0 million. (August 2015 Private Placement - see General Development of the Business)
15. Subscription Agreement dated September 22, 2015 between the Company and MacFarlane Family Ventures, LLC for the purchase of up to 1,072,961 common shares and warrants exercisable for the purchase of up to 268,240 common shares, for an aggregate purchase price of \$2.5 million. (September and October 2015 Registered Direct Placement - see General Development of the Business)
16. First Amendment to 8% Senior Secured Convertible Debenture dated November 30, 2015 between the Company and FBC Holdings S.A.R.L. (see Interest of Management and Others in Material Transactions)
17. Subscription Agreement dated November 30, 2015 between the Company and Adam Kocher for the purchase of up to 600,000 common shares and warrants exercisable for the purchase of up to 600,000 common shares, for an aggregate purchase price of \$1.2 million. (December 2015 Registered Direct Placement - see General Development of the Business)

18. Securities Purchase Agreement dated November 30, 2015 between the Company and Anson Investments Master Fund LP for the purchase of up to 1,500,000 common shares and warrants exercisable for the purchase of up to 1,500,000 shares, for an aggregate purchase price of \$3.0 million. (December 2015 Registered Direct Placement - see General Development of the Business)
19. Warrant to Purchase 1,500,000 common shares dated December 4, 2015, issued by the Company to Anson Investments Master Fund LP. (December 2015 Registered Direct Placement - see General Development of the Business)
20. Amendment No. 3 to Amended and Restated Loan and Security Agreement dated December 18, 2015 between Overland, Tandberg Data GmbH, Sphere 3D and Silicon Valley Bank.
21. Amendment No. 4 and Limited Waiver to Amended and Restated Loan and Security Agreement dated February 26, 2016 between Overland, Tandberg Data GmbH, Sphere 3D and Silicon Valley Bank.
22. Warrant Exchange Agreement dated March 25, 2016 between Sphere 3D Corp. and MacFarlane Family Ventures, LLC for the issuance of warrants to purchase up to 7,199,216 common shares of the Company at an exercise price of \$1.22, in exchange for the surrender of previously issued warrants, in the aggregate, of 3,031,249. (see Interest of Management and Others in Material Transactions)

Certain of our material contracts are described in other reports filed or furnished to the SEC pursuant to the Exchange Act. In the Board Nomination Right Agreement, dated July 15, 2013, between Eric L. Kelly and the Company, Sphere 3D agreed to include a person nominated by Mr. Kelly in any slate of directors proposed by the Sphere 3D's management for election at the Shareholders' Meeting, as long as Mr. Kelly holds 1,850,000 or more of the outstanding common shares of Sphere 3D. In the Voting Agreements, each dated July 15, 2013, between Mr. Kelly and various shareholders of the Sphere 3D, certain of Sphere 3D's shareholders agreed to vote their common shares in favor of any nominee to the board of directors nominated by Mr. Kelly in accordance with the Board Nomination Rights Agreement. The foregoing descriptions of the Board Nomination Right Agreement and Voting Agreements do not purport to be complete and are qualified in their entirety by reference to the full text of the Board Nomination Right Agreement filed as Exhibit 99.22 to our Form 40-F filed on June 27, 2014 and the Voting Agreements filed as Exhibit 99.21 to our Form 40-F filed on June 27, 2014.

The Warrant Indenture, dated June 5, 2014, between Sphere 3D and Equity Financial Trust Company, sets forth the rights of holders of warrants issued in connection with the offering of 710,311 warrants in June 2014. The foregoing description of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the Warrant Indenture filed as Exhibit 99.81 to our Form 40-F filed on June 27, 2014.

Amendments to Credit Facility

In the Amendment No. 2 to Amended and Restated Loan and Security Agreement dated July 29, 2015 between Overland, Tandberg Data GmbH, Sphere 3D, and Silicon Valley Bank, we amended certain financial covenants in our credit facility.

In Amendment No. 3 to Amended and Restated Loan and Security Agreement dated December 18, 2015 between Overland, Tandberg Data GmbH, Sphere 3D, and Silicon Valley Bank, we amended certain covenants related to our equity issuances.

In Amendment No. 4 and Limited Waiver to Amended and Restated Loan and Security Agreement dated February 26, 2016 between Overland, Tandberg Data GmbH, Sphere 3D and Silicon Valley Bank, we extended the revolving line maturity date from February 27, 2016 to August 27, 2016. In connection with the entry into Amendment No. 4, the Company entered into a fee letter with Silicon Valley Bank which the Company agreed to pay a fee in the amount of \$40,000, as well as an additional amount of \$150,000 ("Additional Fee") payable under certain circumstances. The Additional Fee, at the option of Silicon Valley Bank, is payable in cash or in the form of a warrant for the purchase of common shares, no par value, of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on the SEDAR website at www.sedar.com and on EDGAR at www.sec.gov/edgar.shtml.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans are contained in the Company's information circular for its 2016 annual meeting of shareholders.

Additional financial information for the year ended December 31, 2015 is provided in the audited consolidated financial statements of the Company and the related management's discussion and analysis.

Schedule "A"

SPHERE 3D CORP. AUDIT COMMITTEE CHARTER

1. Purpose

The Audit Committee will assist the Board of Directors of Sphere 3D Corp. in its oversight of the integrity and reliability of the Corporation's accounting principles and practices, financial statements and other financial reporting, and disclosure principles and practices used by the Corporation's management. In compliance with the Multilateral Instrument 52-110 and the applicable rules and regulations of the United States Securities and Exchange Commission and the NASDAQ Listing Rules, the Audit Committee shall have responsibility overseeing (i) the qualifications, independence and performance of the independent auditors (hereafter also referred to as the "external auditors") of the Corporation, (ii) the establishment by management of an adequate system of internal controls and procedures, (iii) the effectiveness of the internal controls and procedures, and (iv) the compliance by the Corporation with legal and regulatory requirements.

2. Composition

The Board of Directors will appoint the Audit Committee members and an Audit Committee Chair. The Audit Committee shall be composed of three members of the Board of Directors. Each Audit Committee member will be Financially Literate. One member of the Audit Committee shall be considered a "financial expert" as defined by the United States Securities and Exchange Commission. The composition and qualifications of all Audit Committee members shall comply with all applicable legal and regulatory requirements and will be kept current as regulations evolve. Each member of the Audit Committee shall be an Independent Director.

3. Meetings

The Audit Committee will meet at least four times per year and at least once every fiscal quarter, with authority to convene additional meetings, as circumstances require. All Audit Committee members are expected to attend each meeting, in person or via telephone conference. The Audit Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and executive sessions. The Audit Committee may meet privately with any single member of management or any combination of members of management, as it deems appropriate. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

4. Duties and Responsibilities

4.1 Financial Reporting

- 4.1.1 Review with management and the external auditors any items of concern, any proposed changes in the selection or application of major accounting policies and the reasons for the change, any identified risks and uncertainties, and any issues requiring management judgment, to the extent that the foregoing may be material to financial reporting.
- 4.1.2 Consider any matter required to be communicated to the Audit Committee by the external auditors under applicable generally accepted auditing standards, applicable law and listing standards, including the external auditors' report to the Audit Committee (and management's response thereto) on: (i) all critical accounting policies and practices used by the Corporation; (ii) all alternative accounting treatments of financial information within generally accepted accounting principles that have been

discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the external auditors; and (iii) any other material written communications between the external auditors and management.

- 4.1.3 Require the external auditors to present and discuss with the Audit Committee their views about the quality, not just the acceptability, of the implementation of generally accepted accounting principles with particular focus on accounting estimates and judgments made by management and their selection of accounting principles.
- 4.1.4 Discuss with management and the external auditors (i) any accounting adjustments that were noted or proposed (i.e., immaterial or otherwise) by the external auditors but were not reflected in the financial statements; (ii) any material correcting adjustments that were identified by the external auditors in accordance with generally accepted accounting principles or applicable law; (iii) any communication reflecting a difference of opinion between the audit team and the external auditors' national office on material auditing or accounting issues raised by the engagement; and (iv) any "management" or "internal control" letter issued, or proposed to be issued, by the external auditors to the Corporation.
- 4.1.5 Discuss with management and the external auditors any significant financial reporting issues considered during the fiscal period and the method of resolution. Resolve disagreements between management and the external auditors regarding financial reporting.
- 4.1.6 Review with management and the external auditors (i) any off-balance sheet financing mechanisms being used by the Corporation and their effect on the Corporation's financial statements; and (ii) the effect of regulatory and accounting initiatives on the Corporation's financial statements, including the potential impact of proposed initiatives.
- 4.1.7 Review with management and the external auditors and legal counsel, if necessary, any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position, operating results or cash flows of the Corporation, and the manner in which these matters have been disclosed or reflected in the financial statements.
- 4.1.8 Review with the external auditors any audit problems or difficulties experienced by the external auditors in performing the audit, including any restrictions or limitations imposed by management, and management's response. Resolve any disagreements between management and the external auditors regarding these matters.
- 4.1.9 Review the results of the external auditors' audit work including findings and recommendations, management's response, and any resulting changes in accounting practices or policies and the impact such changes may have on the financial statements.
- 4.1.10 Review and discuss with management and the external auditors the audited annual financial statements and related management's discussion and analysis, make recommendations to the Board with respect to approval thereof, before being released to the public, and obtain an explanation from management of all significant variances between comparable reporting periods.
- 4.1.11 Review and discuss with management and the external auditors all interim unaudited financial statements and quarterly reports and related interim management's discussion and analysis and make recommendations to the Board with respect to the approval thereof, before being released to the public.

- 4.1.12 Discuss the type and presentation to be included in earnings releases (paying particular attention to any use of *pro forma* or “adjusted” non-GAAP information). Such review may be general (consisting of discussing the types of information to be disclosed and the types of presentations to be made), and each press release or each instance in which the Corporation provides earnings guidance need not be discussed in advance.
- 4.1.13 Make recommendations to the Board regarding the appointment and replacement of the Chief Financial Officer and review with the Chief Financial Officer the appointment and replacement of other members of senior management who will be involved in financial reporting.
- 4.1.14 In conjunction with the Compensation Committee, review succession plans for the Chief Financial Officer.
- 4.1.15 Review the necessary information to file the Annual Information Form, if required by applicable legislation to be filed, and to distribute management information circular as required by Form 52-110F1.

4.2 Disclosure Controls, Internal Controls and Risk Management

- 4.2.1 Review the adequacy of the internal controls over financial reporting that have been adopted by the Corporation, any special audit steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.
- 4.2.2 Review with management the disclosure controls and procedures that have been adopted by the Corporation and review periodically, but in no event less frequently than quarterly, management’s conclusions about the effectiveness of such disclosure controls and procedures, including any material non-compliance with them.
- 4.2.3 Review periodically the Corporation’s policies with respect to financial risks, and discuss with management the Corporation’s major financial risk exposures and the steps taken to monitor and control such risks.

4.3 External Auditors

- 4.3.1 Be solely responsible for the appointment, compensation, retention and oversight of the work of any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation.
- 4.3.2 Instruct the external auditors that:
 - 4.3.2.1 they are ultimately accountable to the Audit Committee, as representatives of shareholders; and
 - 4.3.2.2 they must report directly to the Audit Committee.
- 4.3.3 Confirm that the external auditors have direct and open communication with the Audit Committee and that the external auditors meet regularly with the Audit Committee without management present to discuss any matters that the Audit Committee or the external auditors believe should be discussed privately.

- 4.3.4 Evaluate the external auditors' qualifications, performance, and independence and report its conclusions to the Board. As part of that evaluation, the Audit Committee will:
- 4.3.4.1 at least annually, request and review a formal report by the external auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditors' independence) all relationships between the external auditors and the Corporation, including the amount of fees received by the external auditors for the audit services and for various types of non-audit services for the periods prescribed by applicable law;
 - 4.3.4.2 annually evaluate the qualifications, performance and independence of the external auditors, including the extent of non-audit services and fees, the extent to which the compensation of the audit partners of the external auditors is based upon selling non-audit services, the timing and process for implementing the rotation of the lead audit partner, reviewing partner and other partners providing audit services for the Corporation, whether there should be a regular rotation of the audit firm itself, and whether there has been a "cooling off" period of one year for any former employees of the external auditors who are now employees with a financial oversight role, in order to assure compliance with applicable law on such matters; and
 - 4.3.4.3 annually review and evaluate senior members of the external audit team, including their expertise and qualifications, taking into account the opinions of management and the internal auditor.
- 4.3.5 Review and approve the Corporation's policies for hiring employees and former employees of the external auditors. Such policies should include, at minimum, a one-year hiring "cooling off" period.
- 4.3.6 Meet with the external auditors to review and approve the annual audit plan of the Corporation's financial statements prior to the annual audit being undertaken by the external auditors, including reviewing the year-to-year co-ordination of the audit plan and the planning, staffing and extent of the scope of the annual audit. This review should include an explanation from the external auditors of the factors considered by the external auditors in determining their audit scope, including major risk factors. The external auditors will report to the Audit Committee all significant changes to the approved audit plan.
- 4.3.7 Review and report to the Board the basis and amount of the external auditors' fees with respect to the annual audit in light of all relevant matters.
- 4.3.8 Review and pre-approve all non-audit service engagement fees and terms in accordance with applicable law, including those provided to the subsidiaries of the Corporation by the external auditors or any other person in its capacity as external auditors of such subsidiary. The Audit Committee may delegate this responsibility to one or more members who will present the pre-approvals to the full Audit Committee at its next scheduled meeting. If desired, the Audit Committee may establish specific policies and procedures for the engagement of the external auditors to perform non-audit services, provided that (i) the pre-approval policies and procedures are detailed as to the particular service to be provided; (ii) the Audit Committee's responsibilities are not delegated to management; and (iii) the Audit Committee is informed of each non-audit service for which the external auditors are engaged. Between scheduled Audit Committee meetings, the Chair of the Audit Committee, on behalf of the Audit Committee, is

authorized to pre-approve any audit or non-audit service engagement fees and terms. At the next Audit Committee meeting, the Chair of the Audit Committee will report to the Audit Committee any such pre-approval given.

4.4. Internal Auditors

- 4.4.1 Review the responsibilities, budget, projects and staffing of the internal audit function and consult with management and the external auditors, as appropriate, regarding the appointment, reassignment, replacement, compensation or dismissal of [the head of internal audit].
- 4.4.2 Review the significant reports to management prepared by the Corporation's internal audit function and management's responses.

4.5 Compliance

- 4.5.1 Monitor compliance by the Corporation with all payments and remittances required to be made in accordance with applicable law, where the failure to make such payments could render the directors of the Corporation personally liable.
- 4.5.2 Obtain regular updates from management regarding compliance with laws and regulations and the process in place to monitor such compliance.
- 4.5.3 Review, with corporate counsel where required, any litigation, claims, tax assessments, transactions, material inquiries from regulators and government agencies or other contingencies which may have a material impact on financial results or which may otherwise affect the financial well-being of the Corporation, as well as the findings of any examination by regulatory authorities and any external auditors' observations relating to such matters.
- 4.5.4 Establish and oversee the procedures in a Code of Ethics Policy to address:
 - 4.5.4.1 the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - 4.5.4.2 the confidential, anonymous submission by employees of concerns regarding such matters.
- 4.5.5 Review and approve or ratify related party transactions and confirm that any political and charitable donations conform to policies and budgets approved by the Board.

5. Reporting

The Audit Committee will regularly report to the Board its findings and actions. In connection therewith, the Audit Committee should review with the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's external auditors or the performance of the internal audit function.

6. Minutes

Minutes will be kept of each meeting of the Audit Committee and will be available to each member of the Board.

7. Review and Evaluation

The Audit Committee will annually review and evaluate the adequacy of this charter and recommend any proposed changes to the Board. The Audit Committee will participate in an annual performance evaluation in accordance with a process developed by the Nominating and Governance Committee, the results of which will be reviewed by the Board.

8 Chair

Each year, the Board will appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair of the Audit Committee, the incumbent Chair of the Audit Committee will continue in office until a successor is appointed.

9 Removal and Vacancies

Any member of the Audit Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Audit Committee upon ceasing to be a director. The Board may fill vacancies on the Audit Committee by appointment from among its members. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum (at least two committee members) remains in office. Subject to the foregoing, each member of the Audit Committee shall remain as such until the next annual meeting of shareholders after that member's election.

10 Access to Outside Advisors

The Audit Committee may, without seeking approval of the Board or management, select, retain, terminate, set and approve the fees and other retention terms of the external auditors and any other outside advisor, as it, acting reasonably, deems appropriate. The Corporation will provide for appropriate funding, for payment of compensation to any such advisors, and for ordinary administrative expenses of the Audit Committee.

11 Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditors.

11 Definitions

Legal terms used in this charter have the meanings attributed to them below. Terms not otherwise defined herein have the meanings attributed to them in Multilateral Instrument 52-110, as amended from time to time.

"Financially Literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

"Independent Director" means a director who meets the requirements set forth in Rule 5605 of the NASDAQ Listing Rules, Rule 10A-3 promulgated under the United States Securities Exchange Act of 1934, as amended, and Multilateral Instrument 52-110.

SPHERE 3D CORP.

For the Years Ended December 31, 2015 and 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Sphere 3D Corp.

We have audited the accompanying consolidated balance sheets of Sphere 3D Corp. (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sphere 3D Corp. as of December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company's recurring losses and negative operating cash flows raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Moss Adams LLP

San Diego, California

March 30, 2016

Sphere 3D Corp.
Consolidated Balance Sheets
(in thousands of U.S. dollars)

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,661	\$ 4,258
Accounts receivable, net of allowance for doubtful accounts of \$1,567 and \$0, respectively	13,401	15,488
Inventories	11,326	9,936
Other current assets	3,155	2,457
Total current assets	36,543	32,139
Property and equipment, net	3,972	4,427
Intangible assets, net	54,019	73,271
Goodwill	44,132	38,821
Other assets	445	605
Total assets	\$ 139,111	\$ 149,263
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,855	\$ 9,710
Accrued liabilities	4,326	5,938
Accrued payroll and employee compensation	2,625	4,037
Deferred revenue	6,150	7,315
Other current liabilities	5,050	5,161
Debt - related party	10,000	—
Debt	7,391	4,890
Total current liabilities	46,397	37,051
Deferred revenue, long-term	1,675	2,635
Long-term debt - related party	19,500	19,500
Long-term deferred tax liabilities	2,755	4,387
Other long-term liabilities	644	550
Total liabilities	70,971	64,123
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Common stock, no par value; 45,198 and 34,554 shares issued and outstanding as of December 31, 2015 and 2014, respectively	136,058	106,117
Accumulated deficit	(66,783)	(19,556)
Accumulated other comprehensive loss	(1,135)	(1,421)
Total shareholders' equity	68,140	85,140
Total liabilities and shareholders' equity	\$ 139,111	\$ 149,263

Approved by the Board

“Eric L. Kelly”

Director

“Glenn M. Bowman”

Director

See accompanying notes to consolidated financial statements.

Sphere 3D Corp.
Consolidated Statements of Operations
(in thousands of U.S. dollars, except per share amounts)

	Years Ended December 31,	
	2015	2014
Net revenue:		
Product revenue	\$ 65,514	\$ 12,201
Service revenue	10,651	1,268
	<u>76,165</u>	<u>13,469</u>
Cost of product revenue	48,825	7,536
Cost of service revenue	4,721	597
Gross profit	<u>22,619</u>	<u>5,336</u>
Operating expenses:		
Sales and marketing	23,569	5,153
Research and development	9,916	655
General and administrative	23,271	11,567
Impairment of acquired intangible assets	10,702	—
	<u>67,458</u>	<u>17,375</u>
Loss from operations	<u>(44,839)</u>	<u>(12,039)</u>
Other expense:		
Interest expense - related party	(2,710)	(207)
Interest expense	(355)	(240)
Other expense, net	(689)	(194)
Loss before income taxes	<u>(48,593)</u>	<u>(12,680)</u>
(Benefit from) provision for income taxes	<u>(1,366)</u>	<u>42</u>
Net loss	<u>\$ (47,227)</u>	<u>\$ (12,722)</u>
Net loss per share:		
Basic and diluted	<u>\$ (1.24)</u>	<u>\$ (0.53)</u>
Shares used in computing net loss per share:		
Basic and diluted	<u>37,957</u>	<u>24,131</u>

See accompanying notes to consolidated financial statements.

Sphere 3D Corp.
Consolidated Statements of Comprehensive Loss
(in thousands of U.S. dollars)

	Years Ended December 31,	
	2015	2014
Net loss	\$ (47,227)	\$ (12,722)
Other comprehensive income (loss):		
Foreign currency translation adjustment	286	(1,285)
Total other comprehensive income (loss)	286	(1,285)
Comprehensive loss	<u>\$ (46,941)</u>	<u>\$ (14,007)</u>

See accompanying notes to consolidated financial statements.

Sphere 3D Corp.
Consolidated Statements of Shareholders' Equity
(in thousands of U.S. dollars)

	Common Stock		Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount			
Balance at January 1, 2014	21,098	\$ 14,407	\$ (6,834)	\$ (136)	\$ 7,437
Issuance of common shares for VDI technology	1,090	6,454	—	—	6,454
Issuance of common shares	1,235	8,512	—	—	8,512
Issuance of common shares for acquisition	8,557	68,627	—	—	68,627
Issuance of common shares for conversion of convertible notes	333	2,500	—	—	2,500
Shares returned for related party loan payment	(194)	(1,513)	—	—	(1,513)
Exercise of warrants	2,101	2,712	—	—	2,712
Exercise of stock options	247	148	—	—	148
Share-based compensation	—	3,593	—	—	3,593
Share-based payments	87	677	—	—	677
Net loss	—	—	(12,722)	—	(12,722)
Other comprehensive loss	—	—	—	(1,285)	(1,285)
Balance at December 31, 2014	34,554	106,117	(19,556)	(1,421)	85,140
Issuance of common shares and warrants, net of issuance costs	6,567	12,432	—	—	12,432
Issuance of common shares for asset acquisition	1,529	6,147	—	—	6,147
Issuance of common shares for settlement of related party interest expense	668	1,560	—	—	1,560
Exercise of warrants	349	1,265	—	—	1,265
Exercise of stock options	292	225	—	—	225
Issuance of restricted stock	1,239	(231)	—	—	(231)
Issuance of warrants in relation to related party credit facility	—	1,380	—	—	1,380
Share-based compensation	—	7,163	—	—	7,163
Net loss	—	—	(47,227)	—	(47,227)
Other comprehensive income	—	—	—	286	286
Balance at December 31, 2015	45,198	\$ 136,058	\$ (66,783)	\$ (1,135)	\$ 68,140

See accompanying notes to consolidated financial statements.

Sphere 3D Corp.
Consolidated Statements of Cash Flows
(in thousands of U.S. dollars)

	Years Ended December 31,	
	2015	2014
Operating activities:		
Net loss	\$ (47,227)	\$ (12,722)
Adjustments to reconcile net loss to cash used in operating activities (net of effects of acquisition):		
Impairment of acquired intangible assets	10,702	—
Depreciation and amortization	7,450	3,453
Share-based compensation	7,154	3,253
Provision for losses on accounts receivable	1,567	—
Deferred tax benefit	(1,632)	—
Gain on warrant liability	(478)	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,499)	(4,827)
Inventories	6	(424)
Accounts payable and accrued liabilities	1,984	3,311
Accrued payroll and employee compensation	(1,187)	951
Deferred revenue	(1,901)	57
Other assets and liabilities, net	1,904	(1,597)
Net cash used in operating activities	(23,157)	(8,545)
Investing activities:		
Purchase of fixed assets	(415)	(487)
Development costs capitalized as intangible assets	(108)	(1,499)
Purchase of intangible assets	(60)	(4,013)
Loan to related party	—	(7,750)
Proceeds received from related party loan	—	2,500
Cash received from acquisition	—	2,312
Net cash used in investing activities	(583)	(8,937)
Financing activities:		
Proceeds from issuance of common shares and warrants	15,547	9,380
Payment for issuance costs	(1,009)	(868)
Proceeds from borrowings - related party	10,000	5,000
Proceeds from credit facility, net	2,501	141
Proceeds from exercise of outstanding warrants	1,265	2,712
Proceeds from exercise of stock options	225	148
Payment for restricted stock units tax liability on net settlement	(231)	—
Net cash provided by financing activities	28,298	16,513
Effect of exchange rate changes on cash	(155)	10
Net increase (decrease) in cash and cash equivalents	4,403	(959)
Cash and cash equivalents, beginning of period	4,258	5,217
Cash and cash equivalents, end of period	\$ 8,661	\$ 4,258

Sphere 3D Corp.
Consolidated Statements of Cash Flows (continued)
(in thousands of U.S. dollars)

	Year Ended December 31,	
	2015	2014
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 54	\$ 30
Cash paid for interest	\$ 647	\$ 23
Supplemental disclosures of non-cash investing and financing activities:		
Issuance of common shares for asset acquisition	\$ 6,147	\$ —
Issuance of common shares for related party interest expense	\$ 1,560	\$ —
Contingent liability for the acquisition of intangible assets	\$ (2,500)	\$ 2,500
Issuance of warrants in relation to related party credit facility	\$ 1,380	\$ —
Issuance of warrants in relation to to equity financings	\$ (1,925)	\$ —
Issuance of common shares for acquisition	\$ —	\$ 68,627
Issuance of common shares for VDI technology	\$ —	\$ 6,454
Issuance of common shares for conversion of convertible notes	\$ —	\$ 2,500
Issuance of common shares for settlement of liabilities	\$ —	\$ 677
Common shares received for settlement of related party debt	\$ —	\$ (1,513)

See accompanying notes to consolidated financial statements.

Sphere 3D Corp.
Notes to Consolidated Financial Statements

1. Organization and Business

Sphere 3D Corp. (the “Company”) was incorporated under the *Business Corporations Act (Ontario)* on May 2, 2007 as T.B. Mining Ventures Inc. On March 24, 2015, the Company completed a short-form amalgamation with a wholly-owned subsidiary. In connection with the short-form amalgamation, the Company changed its name to “Sphere 3D Corp.”

The Company delivers containerization and virtualization technologies along with data management products that enable workload-optimized solutions. The Company achieves this through a combination of containerized applications, virtual desktops, virtual storage and physical hyper-converged platforms. The Company’s products allow organizations to deploy a combination of public, private or hybrid cloud strategies while backing them up with the latest storage solutions. Sphere 3D, along with its wholly-owned subsidiaries Overland Storage and Tandberg Data, has a portfolio of brands including Glassware 2.0™, SnapCLOUD™, SnapScale®, SnapServer®, V3®, RDX®, and NEO®.

In December 2014, the Company completed its acquisition of Overland Storage, Inc. (“Overland”).

These consolidated statements include the financial statements of the Company, its wholly-owned subsidiaries, Overland, V3 Systems Holdings, Inc., and Sphere 3D Inc.

The Company has projected that cash on hand, available borrowings under the Company’s credit facilities may not be sufficient to allow the Company to continue operations for the next 12 months. Significant changes from the Company’s current forecast, including but not limited to: (i) shortfalls from projected sales levels; (ii) unexpected increases in product costs; (iii) increases in operating costs; and (iv) changes in the historical timing of collecting accounts receivable could have a material adverse impact on the Company’s ability to access the level of funding necessary to continue its operations at current levels. If any of these events occur or if we are not able to secure additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, and/or suspend or curtail planned programs. Any of these actions could materially harm the Company’s business, results of operations and future prospects.

The Company incurred losses from operations and negative cash flows from operating activities for the 12 months ended December 31, 2015, and such losses might continue for a period of time. Based upon the Company’s current expectations and projections for the next year, the Company believes that it may not have sufficient liquidity necessary to sustain operations for the next 12 months due to the maturity dates of the existing credit facilities. These factors, among others, raise doubt that the Company will be able to continue as a going concern. The Company is in process of pursuing options to replace the existing short term credit facilities. The Company has entered into a non-binding proposal with a commercial bank which sets forth proposed terms upon which such bank would provide us up to \$20.0 million in debt financing. The Company is in the process of negotiating definitive documentation relating to the new proposed financing with the bank, which consummation will be subject to a number of customary closing conditions for a transaction of this nature. Assuming the closing of the financing, the Company expects to use portions of the proceeds to repay its existing credit facility with Silicon Valley Bank and to repay \$5.0 million of its related party credit facility. The Company would also expect the remaining \$5.0 million under its related party credit facility to be refinanced into the outstanding convertible note. As of the date of this report, uncertainty exists as to the ultimate completion of these proposed transactions, and there are no assurances that the Company’s negotiation efforts will result in any definitive agreements.

The Company’s recurring losses and negative cash flows from operations raise substantial doubt about its ability to continue as a going concern. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in the United States of America ("GAAP"), applied on a basis consistent for all periods. These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany balances and transactions have been appropriately eliminated in consolidation.

The consolidated financial statements were approved by the Company's Board of Directors on March 29, 2016.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2015 presentation.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of provisions for litigation claims, deferred revenue, allowance for doubtful receivables, inventory valuation, warranty provisions, deferred income taxes, and impairment assessments of property and equipment, intangible assets and goodwill. Actual results could differ from these estimates.

Foreign Currency Translation

The financial statements of foreign subsidiaries, for which the functional currency is the local currency, are translated into U.S. dollars using the exchange rate at the consolidated balance sheet date for assets and liabilities and a weighted-average exchange rate during the year for revenue, expenses, gains and losses. Translation adjustments are recorded as other comprehensive income (loss) within shareholders' equity. Gains or losses from foreign currency transactions are recognized in the consolidated statements of operations. Such transactions resulted in a loss of \$1.7 million and \$0.2 million for the years ended December 31, 2015 and 2014, respectively.

Cash Equivalents

Highly liquid investments with insignificant interest rate risk and original maturities of three months or less, when purchased, are classified as cash equivalents. Cash equivalents are composed of money market funds. The carrying amounts approximate fair value due to the short maturities of these instruments.

Accounts Receivable

Accounts receivable is recorded at the invoiced amount and is non-interest bearing. We estimate our allowance for doubtful accounts based on an assessment of the collectability of specific accounts and the overall condition of the accounts receivable portfolio. When evaluating the adequacy of the allowance for doubtful accounts, we analyze specific trade and other receivables, historical bad debts, customer credits, customer concentrations, customer credit-worthiness, current economic trends and changes in customers' payment terms and/or patterns. We review the allowance for doubtful accounts on a quarterly basis and record adjustments as considered necessary. Customer accounts are written-off against the allowance for doubtful accounts when an account is considered uncollectable. At December 31, 2015 and 2014, allowance for doubtful accounts of \$1.6 million and zero, respectively, was recorded.

Inventories

Inventories are stated at the lower of cost or market using the first-in-first-out method. We assess the value of inventories periodically based upon numerous factors including, among others, expected product or material demand, current market conditions, technological obsolescence, current cost, and net realizable value. If necessary, we write down its inventory for obsolete or unmarketable inventory by an amount equal to the difference between the cost of the inventory and the estimated market value.

Property and Equipment

Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method. Leasehold improvements are depreciated over the shorter of the remaining estimated useful life of the asset or the term of the lease.

Estimated useful lives are as follows:

Building	40 years
Machinery and equipment	3-5 years
Furniture and fixtures	5 years
Computer equipment and software	1-5 years

Expenditures for normal maintenance and repair are charged to expense as incurred, and improvements are capitalized. Upon the sale or retirement of property or equipment, the asset cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is included in the results of operations.

Goodwill and Intangible Assets

Goodwill represents the excess of consideration paid over the value assigned to the net tangible and identifiable intangible assets acquired. For intangible assets purchased in a business combination, the estimated fair values of the assets received are used to establish their recorded values. For intangible assets acquired in a non-monetary exchange, the estimated fair values of the assets transferred (or the estimated fair values of the assets received, if more clearly evident) are used to establish their recorded values. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value.

Purchased intangible assets are amortized on a straight-line basis over their economic lives of 25 years for channel partner relationships, four to nine years for developed technology, eight years for capitalized development costs, and five to 25 years for customer relationships as this method most closely reflects the pattern in which the economic benefits of the assets will be consumed. When the carrying value is not considered recoverable, an impairment loss for the amount by which the carrying value of an intangible asset exceeds its fair value is recognized, with an offsetting reduction in the carrying value of the related intangible asset. If our future results are significantly different from forecast, we may be required to further evaluate intangible assets for recoverability and such analysis could result in an impairment charge in a future period.

Impairment of Goodwill, Other Indefinite-Lived Intangible Assets and Long-Lived Assets

Goodwill and other indefinite-lived assets are tested for impairment on an annual basis at December 31, or more frequently if there are indicators of impairment. Triggering events for impairment reviews may be indicators such as adverse industry or economic trends, restructuring actions, lower projections of profitability, or a sustained decline in our market capitalization. Other indefinite-lived intangible assets are quantitatively assessed for impairment, if necessary, by comparing their estimated fair values to their carrying values. If the carrying value exceeds the fair value, the difference is recorded as an impairment.

Long-lived assets, such as property and equipment and intangible assets subject to amortization, are reviewed for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable. Our consideration includes, but is not limited to: (i) significant under-performance relative to historical or projected future operating results; (ii) significant changes in the manner of use of the assets or the strategy for the Company's overall business; (iii) significant decrease in the market value of the assets; and (iv) significant negative industry or economic trends. When the carrying value is not considered recoverable, an impairment loss for the amount by which the carrying value of a long-lived asset exceeds its fair value is recognized, with an offsetting reduction in the carrying value of the related asset. See Note 5 - Intangible Assets and Goodwill for further information on our impairment testing.

Revenue Recognition

Revenue from sales of products is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, collectability is reasonably assured and delivery has occurred. Under this policy, revenue on direct product sales, excluding sales to distributors, is recognized upon shipment of products to customers. These customers are not entitled to any specific right of return or price protection, except for any defective product that may be returned under our standard product warranty. Revenue from services, such as extended product warranties, are deferred and recognized over the period of the service agreement.

Title and risk of loss transfer to the customer when the product leaves the Company's dock, except for one subsidiary where title and risk of loss transfer to the customer when the product arrives at the customer's location. Product sales to distribution customers are subject to certain rights of return, stock rotation privileges and price protection. Because we are unable to estimate its exposure for returned product or price adjustments, revenue from shipments to these customers is not recognized until the related products are in turn shipped to the ultimate customer by the distributor. For products for which software is more than an incidental component, we recognize revenue in accordance with current authoritative guidance for software revenue recognition.

The Company enters into revenue arrangements that may consist of multiple deliverables of its product and service offerings, such as for sales of hardware devices and extended warranty services. The Company allocates revenue to deliverables in multiple element arrangements based on relative selling prices. The Company determines its vendor-specific objective evidence ("VSOE") based on its normal pricing and discounting practices for the specific product or service when sold separately. When the Company is not able to establish VSOE for all deliverables in an arrangement with multiple elements, the Company attempts to determine the selling price of each element based on third party evidence of selling price, or based on the Company's actual historical selling prices of similar items, whichever management believes provides the most reliable estimate of expected selling prices.

Warranty and Extended Warranty

We record a provision for standard warranties provided with all products. If future actual costs to repair were to differ significantly from estimates, the impact of these unforeseen costs or cost reductions would be recorded in subsequent periods.

Separately priced extended on-site warranties and service contracts are offered for sale to customers on all product lines. We contract with third party service providers to provide service relating to on-site warranties and service contracts. Extended warranty and service contract revenue and amounts paid in advance to outside service organizations are deferred and recognized as service revenue and cost of service, respectively, over the period of the service agreement.

Shipping and Handling

Amounts billed to customers for shipping and handling are included in product revenue, and costs incurred related to shipping and handling are included in cost of product revenue.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were \$1.6 million and \$0.7 million for the years ended December 31, 2015 and 2014, respectively.

Research and Development Costs

Research and development expenses include payroll, employee benefits, stock-based compensation expense, and other headcount-related expenses associated with product development. Research and development expenses also include third party development and programming costs, localization costs incurred to translate software for international markets, and the amortization of purchased software code and services content. Such costs related to software development are included in research and development expense until the point that technological feasibility is reached, which for our software products, is generally shortly before the products are released to manufacturing. Once technological feasibility is reached, such costs are capitalized and amortized to cost of revenue over the estimated lives of the products. During 2015 and 2014, the Company capitalized \$0.1 million and \$1.8 million, respectively, of development costs.

Segment Information

We report segment data based on the management approach. The management approach designates the internal reporting that is used by management for making operating and investment decisions and evaluating performance as the source of our reportable segments. We use one measurement of profitability and do not disaggregate our business for internal reporting. We operate in one segment providing data storage and desktop virtualization solutions for small and medium businesses and distributed enterprises. We disclose information about products and services, geographic areas, and major customers.

Income Taxes

We provide for income taxes utilizing the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes generally represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of our assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when a judgment is made that it is considered more likely than not that a tax benefit will not be realized. A decision to record a valuation allowance results in an increase in income tax expense or a decrease in income tax benefit. If the valuation allowance is released in a future period, income tax expense will be reduced accordingly.

The calculation of tax liabilities involves evaluating uncertainties in the application of complex global tax regulations. The impact of an uncertain income tax position is recognized at the largest amount that is “more likely than not” to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Comprehensive Loss

Comprehensive loss and its components encompasses all changes in equity other than those arising from transactions with shareholders, including net loss and foreign currency translation adjustments, and is disclosed in a separate consolidated statement of comprehensive loss.

Concentration of Credit Risks

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of trade accounts receivable, which are generally not collateralized. To reduce credit risk, we perform ongoing credit evaluations of its customers and maintain allowances for potential credit losses for estimated bad debt losses.

At December 31, 2015 and 2014, there was one customer that made up 17.5% and 12.1%, respectively, of accounts receivable. There were no customers for the years ended December 31, 2015 and 2014 that made up 10% or more of net revenue.

Share-based Compensation

We account for share-based awards, and similar equity instruments, granted to employees and non-employee directors under the fair value method. Share-based compensation award types include stock options and restricted stock. We use the Black-Scholes option pricing model to estimate the fair value of option awards on the measurement date, which generally is the date of grant. The expense is recognized over the requisite service period (usually the vesting period) for the estimated number of instruments for which service is expected to be rendered. The fair value of restricted stock units (“RSUs”) is estimated based on the market value of the Company’s common shares on the date of grant. The fair value of options granted to non-employees is estimated at the measurement date using the Black-Scholes option pricing model and the unvested options remeasured at each reporting date, with changes in fair value recognized in expense in the consolidated statement of operations.

Share-based compensation expense for options with graded vesting is recognized pursuant to an accelerated method. Share-based compensation expense for RSUs is recognized over the vesting period using the straight-line method. Share-based compensation expense for an award with performance conditions is recognized when the achievement of such performance

conditions are determined to be probable. If the outcome of such performance condition is not determined to be probable or is not met, no compensation expense is recognized and any previously recognized compensation expense is reversed.

We have not recognized, and do not expect to recognize in the near future, any tax benefit related to share-based compensation cost as a result of the full valuation allowance of our net deferred tax assets and its net operating loss carryforward.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) that are adopted by the Company as of the specified effective date. If not discussed, the Company believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company’s consolidated financial statements upon adoption.

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02 *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 requires increased transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. ASU 2016-02 retains a distinction between finance leases (i.e. capital leases under current GAAP) and operating leases. The classification criteria for distinguishing between finance leases and operating leases will be substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current GAAP. The accounting applied by the lessor is largely unchanged from that applied under current GAAP. The amendments of this ASU are effective for reporting periods beginning after December 15, 2018, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The impact on our consolidated financial condition and results of operations as a result of the adoption of ASU 2016-02 has not yet been determined.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* (“ASU 2015-17”). ASU 2015-17 requires companies to classify all deferred tax assets and liabilities as non-current on the balance sheet instead of separating deferred taxes into current and non-current amounts. For public business entities, the guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for all companies in any interim or annual period. The guidance may be adopted on either a prospective or retrospective basis. We have not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805)*. ASU No. 2015-16 requires that an acquirer recognizes adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This guidance requires that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change in provisional amounts, calculated as if the accounting had been completed at the acquisition date. This guidance requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU No. 2015-16 is effective beginning fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The impact on our consolidated financial condition and results of operations as a result of the adoption of ASU 2015-16 has not yet been determined.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. ASU 2015-11 requires that for entities that measure inventory using the first-in, first-out method, inventory should be measured at the lower of cost and net realizable value. *Topic 330, Inventory*, currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, and interim

periods within those fiscal years. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The impact on our consolidated financial condition and results of operations as a result of the adoption of ASU 2015-11 has not yet been determined.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from that debt liability, consistent with the presentation of a debt discount. The recognition and measurement guidance for debt issuance costs is not affected by ASU 2015-03. ASU 2015-03 is effective fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early application is permitted. The impact on our consolidated financial condition and results of operations as a result of the adoption of ASU 2015-03 has not yet been determined.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern*. ASU 2014-15 provides that in connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU 2014-15 will be effective for the annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. The impact on our consolidated financial disclosures as a result of the adoption of ASU 2014-15 has not yet been determined.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 outlines a single comprehensive model for accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In July 2015, the FASB enacted a one-year deferral to the effective date, but permits entities to adopt one year earlier if they choose (i.e., the original effective date). Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We have not yet selected a transition method and the impact on our consolidated financial condition and results of operations as a result of the adoption of ASU 2014-09 has not yet been determined.

3. Business Combinations

RDX® Asset Acquisition

In August 2015, the Company completed an acquisition of assets related to the RDX® removable disk product lines and related inventory from Imation Corp. ("Imation"). The Company issued 1,529,126 common shares with an approximate value of \$6.1 million, and a warrant exercisable for 250,000 additional common shares exercisable in connection with certain purchase price adjustments under the asset purchase agreement. In February 2016, Imation exercised the warrant and the Company issued 250,000 common shares at \$0.01.

In addition, the Company and Imation entered into that certain Lock-Up Agreement, dated as of August 10, 2015, which imposes limitations on the transfer and sale of the common shares issued to Imation at closing and requires that Imation vote its shares in accordance with any recommendation of the Company's board of directors for a designated period of time. The Company and Imation also entered into that certain Registration Rights Agreement, dated August 10, 2015, pursuant to which the Company has agreed to register the resale of the common shares issued to Imation and any shares issuable upon the exercise of the warrant.

The asset purchase agreement also terminated an existing license agreement and settled all disputes between the parties. We incurred acquisition related expenses of \$0.2 million which consisted primarily of due diligence, legal and other one-time charges and are included in general and administrative expense in the consolidated statements of operations.

A summary of the preliminary estimated fair values of the assets acquired and liabilities assumed is as follows (in thousands):

Inventory	\$ 1,673
Other current assets	100
Property and equipment	789
Identifiable intangible assets	670
Total identifiable assets acquired	<u>3,232</u>
Contingent liability	(2,376)
Other liabilities	(20)
Net identifiable assets acquired	836
Goodwill	5,311
Net assets acquired	<u>\$ 6,147</u>

Goodwill is comprised of realization of expanded market share which provides greater control over the backup appliance components that form a key part of Sphere 3D's strategy to deliver comprehensive virtualization, storage and data management for on premise, cloud and hybrid infrastructures. In December 2015, goodwill was adjusted from \$2.9 million to \$5.3 million, an increase of \$2.4 million, related to contingent consideration to Imation. The above table reflects such adjustment.

The fair value estimates for the assets acquired and liabilities assumed for the acquisition were based on estimates and analysis, including work performed by third party valuation specialists. Adjustments may be made to the estimated fair values during the measurement period as we obtain additional information. The primary areas of estimates that were not yet finalized related to the finalization of contingent consideration. The goodwill recognized upon acquisition is deductible for tax purposes.

The results of operations related to this acquisition have been included in our consolidated statements of operations from the acquisition date. Pro forma results of operations have not been presented because at this time it is impracticable to provide as the information is not available at the level of detail required.

The identified intangible assets as of the date of acquisition consisted of the following (in thousands):

	Estimated Fair Value	Weighted- Average Useful Life (years)
Developed technology	\$ 190	0.5
Customer relationships	480	21.3
Total identified intangible assets	<u>\$ 670</u>	15.4

Overland Acquisition

On December 1, 2014, the Company completed its acquisition of Overland for a purchase price of \$69.7 million. Included in this amount are 8.6 million common shares valued as of December 1, 2014 at \$7.71 per share, \$3.2 million of equity awards for which vesting accelerated upon consummation of the acquisition, as well as other consideration of \$0.5 million. The acquisition was carried out pursuant to the terms and conditions contained in an Agreement and Plan of Merger dated May 15, 2014 (as amended, the "merger agreement"). The integration of Overland and Sphere 3D positions the Company to address the rapidly growing cloud, virtualization, and data storage markets.

As per the terms of the merger agreement, Overland became a wholly-owned subsidiary of Sphere 3D, and Overland's common stock ceased to be traded on the NASDAQ Capital Market, while the common shares of Sphere 3D continue to be traded on the NASDAQ Global Market under the trading symbol "ANY". Under the terms of the merger agreement, Sphere 3D issued a total of 8,556,865 common shares for all of the outstanding Overland shares on the basis of one Overland share for 0.46385

common shares. In addition, the Company issued warrants to purchase up to 1,323,897 of our common shares, options to purchase up to 168,488 common shares and 673,776 restricted share units, calculated on the basis of the exchange ratio.

A summary of the estimated fair values of the assets acquired and liabilities assumed as of the closing date is as follows (in thousands):

Cash and cash equivalents	\$ 2,312
Accounts receivable	10,558
Inventories	9,387
Property and equipment	4,117
Identifiable intangible assets	60,376
Other assets	2,364
Total identifiable assets acquired	89,114
Current liabilities	(28,133)
Debt - current	(4,749)
Debt - long term	(17,000)
Other liabilities	(3,990)
Deferred tax liabilities	(4,412)
Total identifiable liabilities assumed	(58,284)
Net identifiable net assets acquired	30,830
Goodwill	38,821
Net assets acquired	\$ 69,651

Goodwill is comprised of expected synergies from combining Overland's operations with that of the Company, including: (i) the creation of a larger and more diverse combined company to gain the scale, infrastructure and resources required to become a global virtualization company and to strengthen the Company's ability to service and support partners and customers globally; (ii) the ability to better leverage Overland's existing global distribution network of reseller, integrators and Tier One OEM's, along with Overland's global manufacturing, delivery and support networks; and (iii) the complementary nature of the respective products brings together next generation technologies for virtualization and cloud computing coupled with end-to-end scalable storage offerings enabling the combined company to address the larger and growing virtualization and cloud markets.

The fair value estimates for the assets acquired and liabilities assumed for the acquisition were based on estimates and analysis, including work performed by third party valuation specialists. None of the goodwill recognized upon acquisition is deductible for tax purposes.

The identified intangible assets as of the date of acquisition consisted of the following (in thousands):

	Estimated Fair Value	Weighted- Average Useful Life (years)
Channel partner relationships	\$ 17,000	25.0
Developed technology	15,590	7.9
Customer relationships	816	9.0
Total finite lived intangible assets	33,406	16.6
Indefinite live intangible assets - trade names	26,970	n/a
Total identified intangible assets	\$ 60,376	

Due to the continuing integration of the combined businesses since the date of acquisition, it is impracticable to determine the earnings or loss contributed by the acquisition.

The following unaudited pro forma combined financial information gives effect to the acquisition as if it were consummated on January 1, 2014 (the beginning of the earliest fiscal period presented). The unaudited pro forma combined financial information is presented for informational purposes only, is not intended to represent or be indicative of the results of operations of us that would have been reported had the acquisition occurred on January 1, 2014, and should not be taken as representative of future consolidated results of operations of the combined company (in thousands):

	Year Ended December 31, 2014	
Net revenue	\$	93,591
Net loss	\$	(35,709)
Net loss per share	\$	(1.12)

In 2014, we incurred acquisition related expenses of \$2.2 million, which consisted primarily of due diligence, legal and other one-time charges, and are included in general and administrative expense in the consolidated statements of operations.

4. Certain Balance Sheet Items

The following table summarizes inventories (in thousands):

	December 31,	
	2015	2014
Raw materials	\$ 1,734	\$ 3,313
Work in process	2,483	660
Finished goods	7,109	5,963
	<u>\$ 11,326</u>	<u>\$ 9,936</u>

The following table summarizes property and equipment (in thousands):

	December 31,	
	2015	2014
Building	\$ 1,667	\$ 1,857
Computer equipment	1,636	748
Machinery and equipment	1,116	1,538
Leasehold improvements	1,126	957
Furniture and fixtures	89	82
	<u>5,634</u>	<u>5,182</u>
Accumulated depreciation and amortization	<u>(1,662)</u>	<u>(755)</u>
	<u>\$ 3,972</u>	<u>\$ 4,427</u>

Depreciation and amortization expense for property and equipment was \$1.3 million and \$0.3 million for the years ended December 31, 2015 and 2014, respectively.

5. Intangible Assets and Goodwill

The following table summarizes intangible assets, net (in thousands):

	December 31,	
	2015	2014
Developed technology	\$ 23,684	\$ 28,391
Channel partner relationships ⁽¹⁾	12,039	16,945
Capitalized development costs ⁽¹⁾	2,856	3,302
Customer relationships ⁽¹⁾	1,194	797
	<u>39,773</u>	<u>49,435</u>
Accumulated amortization		
Developed technology	(7,078)	(2,855)
Channel partner relationships ⁽¹⁾	(68)	—
Capitalized development costs ⁽¹⁾	(589)	(272)
Customer relationships ⁽¹⁾	(99)	(7)
	<u>(7,834)</u>	<u>(3,134)</u>
Total finite-lived assets, net	31,939	46,301
Indefinite lived intangible assets - trade names	22,080	26,970
Total intangible assets, net	<u>\$ 54,019</u>	<u>\$ 73,271</u>

(1) Includes the impact of foreign currency exchange rate fluctuations.

During the fourth quarter of 2015, the Company concluded that its lower net revenue due to timing of projected growth of products and integration of channel partner relationships from the acquisition of Overland could be indicators of impairment and, therefore, had a third party impairment analysis performed. At December 31, 2015, as a result of the analysis, the Company recorded an impairment of \$10.7 million of which \$1.7 million related to developed technology, \$4.1 million related to channel partner relationships, and \$4.9 million related to trade names.

On March 21, 2014, the Company acquired from V3 Systems certain Virtual Desktop Implementation (“VDI”) technology, including V3 Desktop Cloud Orchestrator[®] software, which allows administrators to manage local, cloud hosted, or hybrid virtual desktop deployments, and purpose-built, compact, efficient and easy-to-manage servers. On closing, the purchase price for the acquired assets was \$14.4 million, which was paid with a combination of \$4.2 million in cash and the issuance of 1,089,867 common shares at \$5.92 per share. The identified intangible assets as of the date of the purchase agreement consisted of \$14.4 million of developed technology with a useful life of four years. In addition, the Company was subject to an earn-out, based on the achievement of certain milestones in revenue and gross margin related to the VDI technology, of up to an additional \$5.0 million. The estimated earn-out liability was \$2.5 million as of December 31, 2014, and was included in other current liabilities. The earn-out period expired on June 21, 2015 and the estimated earn-out liability of \$2.5 million was reversed with an offsetting reduction to developed technology.

Amortization expense of intangible assets was \$6.1 million and \$3.1 million for the years ended December 31, 2015 and 2014, respectively. Estimated amortization expense for intangible assets is approximately \$5.1 million, \$5.0 million, \$3.4 million, \$2.4 million, and \$2.4 million in fiscal 2016, 2017, 2018, 2019 and 2020, respectively.

Goodwill

In August 2015, the Company completed an acquisition of assets related to the RDX[®] removable disk product lines which resulted in an addition to goodwill of \$5.3 million. In December 2014, the Company completed its acquisition of Overland which resulted in an addition to goodwill \$38.8 million. For the years ended December 31, 2015 and 2014, there was no impairment recognized related to goodwill.

6. Debt

Convertible Notes - Related Party

In December 2014, in connection with the acquisition of Overland, the existing debt of Overland and the remaining debt of the Company were amended and restated into a \$19.5 million convertible note. The convertible note is scheduled to mature March 31, 2018 and bears interest at an 8% simple annual interest rate, payable semi-annually. The obligations under the convertible note are secured by all assets of the Company.

The Company has the option to pay accrued and outstanding interest either entirely in cash or common shares. If the Company chooses to pay the interest in common shares, the calculation is based upon the number of common shares that may be issued as payment of interest on the convertible note and will be determined by dividing the amount of interest due by current market price as defined in the convertible note agreement. In 2015, the Company issued 668,462 shares of common shares in satisfaction of \$1.6 million in interest expense.

The convertible note was originally convertible into common shares at a price equal to \$7.50 per share in the case of \$10 million of the convertible note and \$8.50 per share in the case of \$9.5 million of the convertible note. In November 2015, the convertible note was modified and the conversion prices of \$7.50 per share and \$8.50 per share were adjusted to \$3.00 per share. In February 2016, in connection with the November 2015 modification and certain specified terms, the Company issued to the holder of the convertible note a warrant to purchase 500,000 common shares of the Company at a price of \$1.62.

At the option of the Company, the convertible note is convertible into common shares at the conversion price at any time that the weighted average trading price for the common shares exceeds 150% of the conversion price (i.e. exceeds \$4.50 per share), for 10 consecutive trading days on its principal stock exchange that the common shares trade.

The convertible note contains customary covenants, including covenants that limit or restrict the Company's ability to incur liens, incur indebtedness, or make certain restricted payments. Upon the occurrence of an event of default under the convertible note, the Holder may declare all amounts outstanding to be immediately due and payable. The convertible note specifies a number of events of default (some of which are subject to applicable grace or cure periods), including, among other things, non-payment defaults, covenant defaults, cross-defaults to other materials indebtedness, bankruptcy and insolvency defaults, and material judgment defaults. As of December 31, 2015, the Company was in compliance with all covenants of the convertible note.

For the years ended December 31, 2015 and 2014, interest expense on the convertible note was \$1.6 million and \$0.4 million, respectively.

Credit Facilities

In December 2014, in connection with the acquisition of Overland, the Company assumed the existing credit facility of Overland. The credit facility was originally entered into in August 2011, as amended, and allows for revolving cash borrowings up to \$8.0 million, which includes a \$3.0 million sublimit for advances to one of the Company's subsidiaries. The proceeds of the credit facility may be used to fund the Company's working capital and to fund its general business requirements. The obligations under the credit facility are secured by substantially all assets of the Company other than the stock of its subsidiaries organized outside of the U.S. and Canada that are pledged to secure the Company's obligations under the Company's convertible note. In addition, the sublimit for advances to one of the Company's subsidiaries was increased from \$3.0 million to up to \$3.75 million, subject to certain conditions. Borrowings under the amended credit facility bear interest at the prime rate (as defined in the credit facility) plus a margin of either 1.50% or 1.75%, depending on the Company's net cash. Borrowings under the sublimit bear interest at the prime rate (as defined in the credit facility) plus a margin of either 2.50% or 2.75%, depending on the Company's net cash. The amended credit facility requires the Company to comply with a performance plan as of the last date of each quarter in addition to all original compliance and covenant requirements. At December 31, 2015, the interest rates on the credit facility and the sublimit were 5.25% and 6.25%, respectively.

The credit facility requires the Company to comply with a liquidity coverage ratio and contains customary covenants, including covenants that limit or restrict the Company's and its subsidiaries' ability to incur liens and indebtedness, make certain types of payments, merge or consolidate, and make dispositions of assets. The credit facility specifies customary events of default (some of which are subject to applicable grace or cure periods) including, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults, and material judgment defaults. Upon the occurrence of an event of default under the credit facilities, the lender may cease making loans, terminate the credit facility, and declare all amounts outstanding to be immediately due and deduct such amounts from the Company's lockbox account on deposit with the bank. At December 31, 2015, the Company was in compliance with all covenants of the credit facility.

At December 31, 2015, the Company had \$7.4 million outstanding on the credit facility. Interest expense for the credit facility was \$0.3 million for the year ended December 31, 2015.

In February 2016, the credit facility was amended to extend the scheduled maturity date from February 2016 to August 2016, and the Company entered into a fee letter with the lender, which the Company agreed to pay a fee in the amount of \$40,000, as well as an additional amount of \$150,000 ("Additional Fee") payable under certain circumstances. The Additional Fee, at the option of the lender, is payable in cash or in the form of a warrant for the purchase of common shares, no par value, of the Company.

Related Party Credit Facility

In December 2014, the Company entered into a revolving credit agreement with FBC Holdings (an affiliate of Cyrus Capital Partners) for a revolving credit facility of \$5.0 million. In July 2015, the credit facility was amended to extend the scheduled maturity date to May 2016 with an automatic extension to November 2016, and the aggregate borrowing amount was increased from \$5.0 million to \$10.0 million. In connection with this amendment, the Company agreed to issue warrants in connection with draws on the credit facility.

The credit facility contains customary covenants, including covenants that limit or restrict the Company's and its subsidiaries' ability to incur liens and indebtedness, make certain types of payments, merge or consolidate, and make dispositions of assets. As of December 31, 2015, the Company was not in default of any covenants of the credit facility.

In February 2015, the Company issued warrants to purchase up to 100,000 common shares to FBC Holdings in connection with draws on our related party credit facility. The warrants expire in February 2018 and have an exercise price of \$4.50 per share.

In March 2015, the Company issued warrants to purchase up to 200,000 common shares to FBC Holdings in connection with draws on our related party credit facility. The warrants expire in March 2018 and have an exercise price of: (i) in the case of 100,000 of the warrants, \$7.21 per share; and (ii) in the case of 100,000 of the warrants, \$5.02 per share.

In December 2015, the Company issued warrants to purchase 500,000 common shares of the Company to FBC Holdings in connection with draws on our related party credit facility. The warrants expire in December 2018 and have an exercise price of \$1.54 per share.

At December 31, 2015, the Company had \$10.0 million outstanding on the credit facility. Interest expense for the credit facility was \$1.2 million, which included \$0.7 million and zero of amortization of issuance costs in 2015 and 2014, respectively. At December 31, 2015, there were \$0.1 million in accrued liabilities related to fees.

7. Fair Value Measurements

The authoritative guidance for fair value measurements establishes a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

Our financial instruments include cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses, credit facilities, and related party long-term debt. Fair value estimates of these instruments are made at a specific point in time, based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The carrying amount of cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses are generally considered to be representative of their respective fair values because of the short-term nature of those instruments. The carrying amount of the credit facilities borrowings approximate their fair value as the interest rate of the credit facilities are substantially comparable to rates offered for similar debt instruments. The carrying value of long-term debt approximates its fair value as the borrowing rates are substantially comparable to rates available for loans with similar terms.

The following table provides information by level for liabilities that are measured at fair value using significant unobservable inputs (Level 3) for year ended December 31, 2015:

Warrant liability as of January 1, 2015	\$	—
Additions to warrant liability		1,925
Change in fair value of warrants		<u>(478)</u>
Warrant liability as of December 31, 2015	\$	<u>1,447</u>

The Company determined the estimated fair value of the warrant liability using a Black-Scholes model using similar assumptions as disclosed in Note 9 - Equity Incentive Plan.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

The Company's non-financial assets such as goodwill, intangible assets and property and equipment are recorded at fair value when an impairment is recognized or at the time acquired in a business combination. As discussed in Note 5 - Intangible Assets and Goodwill, we recorded impairment charges associated with intangible assets and reduced the carrying amount of such assets subject to the impairment to their estimated fair value. Additionally, as discussed in Note 3 - Business Combinations, the Company acquired assets related to the RDX[®] removable disk product lines during 2015 and recorded the acquired assets and liabilities, including goodwill, intangible assets and property and equipment at their estimated fair value. The determination of the estimated fair value of such assets required the use of significant unobservable inputs which would be considered Level 3 fair value measurements.

8. Share Capital

Shares Capital Authorized

The Company has unlimited authorized shares of common stock at no par value.

Issued and Outstanding

The Company had the following share capital issuance activity (in thousands):

	Number of Shares	Value
Issuance of common shares on acquisition of Overland	8,557	\$ 68,627
Issuance of common shares on acquisition of intangible assets	1,090	6,454
Issued on exercise of warrants	2,101	2,712
Issuance of common shares	1,235	8,512
Issued on conversion of convertible debt	333	2,500
Issued on exercise of options	247	148
Shares returned for payment on related party loan	(194)	(1,513)
Issued for future services	53	443
Issued for payment of related party debt interest	34	234
Shares issued for the year ended December 31, 2014	<u>13,456</u>	<u>\$ 88,117</u>
Issuance of common shares for equity financing	6,173	\$ 12,432
Issuance of common shares for acquisition	1,529	6,147
Issued on release of restricted stock units	1,239	(231)
Issued for payment of related party debt interest	668	1,560
Issued for adjustment warrants	394	—
Issued on exercise of warrants	349	1,265
Issued on exercise of options	292	225
Shares issued for the year ended December 31, 2015	<u>10,644</u>	<u>\$ 21,398</u>

The Company has outstanding warrants to purchase up to 9,078,421 common shares of the Company. In connection with the 2014 acquisition of Overland, warrants to purchase up to 1,323,897 of common shares were issued in exchange for outstanding Overland warrants. Warrants to purchase up to 947,777 of such shares expired in February 2015. The remaining warrants to purchase up to 376,120 shares expire in March 2016 and have an exercise price of \$18.44 per share. These warrants have no anti-dilution provisions.

In October 2014, the Company issued 1,235,325 common shares of the Company and 617,663 common share purchase warrants of the Company upon exercise of 1,176,500 special warrants issued in June 2014. At December 31, 2014, the Company has outstanding warrants to purchase up to 617,663 common shares under the June 2014 warrant issuance. The warrants expire in June 2016 and have an exercise price of \$9.89 per share. These warrants have no anti-dilution provisions.

In February 2015, the Company issued warrants to purchase up to 100,000 common shares to FBC Holdings in connection with draws on the Company's related party credit facility with FBC Holdings. The warrants expire in February 2018 and have an exercise price of \$4.50 per share. These warrants have no anti-dilution provisions.

In March 2015, the Company issued warrants to purchase up to 200,000 common shares to FBC Holdings in connection with draws on the Company's related party credit facility with FBC Holdings. The warrants expire in March 2018 and have an exercise price of: (i) in the case of 100,000 of the warrants, \$7.21 per share; and (ii) in the case of 100,000 of the warrants, \$5.02 per share. These warrants have no anti-dilution provisions.

In May and June 2015, the Company completed private placements for a total of 1,621,250 common shares of the Company and warrants to purchase up to 1,621,250 common shares for a gross purchase price of approximately \$5.2 million. The purchase price for one common share and a warrant to purchase one common share was \$3.20. The warrants have an exercise price of \$4.00 per share and a five-year term. These warrants have no anti-dilution provisions. The Company filed a registration statement to register the resale of the shares to be issued in the offering and the shares issuable upon exercise of the warrants with the U.S. Securities and Exchange Commission ("SEC").

In August 2015, the Company completed a private placement of 606,060 common shares of the Company and warrants to purchase up to 606,060 common shares for a gross purchase price of approximately \$2.0 million. The purchase price for one common share and a warrant to purchase one common share was \$3.30. The warrants had an exercise price of \$3.30 per share and a five-year term. The Company has the right to force the exercise of the warrants if the weighted average price of the common shares for 10 consecutive trading days exceeds 400% of \$2.33. In September 2015, the Company issued an additional 252,308 common shares and 252,308 warrants to purchase 252,308 common shares in conjunction with the price protection clause in effect through December 31, 2015 and the equity financing completed in September 2015. In December 2015, the Company issued an additional 141,631 common shares and 141,631 warrants to purchase 141,631 common shares in conjunction with the price protection clause and the equity financing completed in December 2015. The purchase price for one common share and a warrant to purchase one common share was adjusted to \$2.33. The Company filed a registration statement to register the resale of the shares to be issued in the offering and the shares issuable upon exercise of the warrants with the SEC.

In September and October 2015, for an aggregate offering price of approximately \$3.3 million, the Company entered into subscription agreements with certain investors party thereto pursuant to which the Company issued to the investors, in the aggregate, 1,417,961 of the Company's common shares, warrants exercisable to purchase up to 354,490 common shares, and adjustment warrants (the "Adjustment Warrants"). The purchase price for one common share, a warrant to purchase one quarter of one common share (the "Warrant Shares"), and an Adjustment Warrant was \$2.33. Each warrant has an initial exercise price of \$2.33 per Warrant Share. The Adjustment Warrants become exercisable to purchase a number of common shares to be determined at such time following an additional financing by the Company prior to December 31, 2015. The warrants are immediately exercisable and have a five-year term. Each Adjustment Warrant has an initial exercise price of \$0.01 per common share. In December 2015, the Company issued an additional 1,297,435 warrants to purchase 1,297,435 common shares in conjunction with the price protection clauses in effect through December 31, 2015 and the equity financing completed in December 2015. Each warrant has an exercise price of \$2.33. In December 2015, the Company issued 233,964 Adjustment Warrants to purchase 233,964 common shares in conjunction with the equity financing completed in December 2015. In January 2016, 226,539 Adjustment Warrants were exercised at \$0.01 per common share. The remaining Adjustment Warrants will expire on March 31, 2016.

In December 2015, the Company completed an equity financing of 2,527,500 common shares and warrants to purchase up to 2,527,500 common shares for a gross purchase price of approximately \$5.1 million. The purchase price for one common share and a warrant to purchase one common share was \$2.00. The warrants have an exercise price of \$2.50 per share and a five-year term. The Company has the right to force the exercise of the warrants if the weighted average price of the common shares for 10 consecutive trading days exceeds 400% of \$1.79. Warrants to purchase up to 1,500,000 common shares include a one-time adjustment provision, as defined in the agreement, which provides that the exercise price will be automatically adjusted, if the adjustment price as calculated on May 28, 2016, is less than \$2.50. At December 31, 2015, the warrant is recorded as a liability and is included in other current liabilities.

In December 2015, the Company issued warrants to purchase up to 500,000 common shares to FBC Holdings in connection with draws on the Company's related party credit facility with FBC Holdings. The warrants expire in December 2018 and have an exercise price of \$1.54 per share.

In February 2016, in connection with our November 2015 convertible note modification and certain specified terms, the Company issued to the holder of the convertible note a warrant to purchase 500,000 common shares of the Company at a price of \$1.62.

The Company had the following warrants to purchase common shares outstanding (in thousands):

	Number of Warrants
Outstanding at January 1, 2014	2,528
Assumption of warrants from Overland	1,324
Granted	668
Exercised	(2,101)
Outstanding at December 31, 2014	2,419
Granted	8,085
Exercised	(349)
Expired	(1,077)
Outstanding at December 31, 2015	9,078

9. Equity Incentive Plan

In June 2015, the shareholders approved the adoption of our 2015 Performance Incentive Plan (“2015 Plan”), initially authorizing the award of up to approximately 8.8 million common shares pursuant to the 2015 Plan, and our Employee Stock Purchase Plan (“ESPP”), authorizing the purchase of up to 2.0 million common shares by employees under the plan. As of December 31, 2015, there were no active ESPP participants. The 2015 Plan authorizes the board of directors to grant stock and options awards to directors, employees and consultants. The exercise price of each award is based on the market price of the Company’s stock at the date of grant. Option awards can be granted for a maximum term of up to 10 years and vest as determined by the Company’s Board of Directors. As of December 31, 2015, the Company had reserved 8.6 million shares of common stock for issuance.

Stock Options

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model, which uses the weighted-average assumptions noted in the following table:

	Year Ended December 31,	
	2015	2014
Expected volatility	93.0%	97.0%
Risk-free interest rate	1.5%	1.7%
Dividend yield	—	—
Expected term (in years)	4.7	3

The expected volatility was based on the Company’s historical stock price. The Company applies a forfeiture rate based on historical pre-vesting option cancellations. The risk-free interest rate is determined based upon a constant maturity U.S. Treasury security with a contractual life approximating the expected term of the option. The expected term of options granted is estimated based on a number of factors, including but not limited to the vesting term of the award, historical employee exercise behavior, the expected volatility of the Company’s stock and an employee’s average length of service.

Options typically vest over three years from the original grant date. Option activity is summarized below (shares and aggregate intrinsic value in thousands):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2014	2,810	\$ 1.11		
Granted	735	\$ 7.08		
Options assumed from acquisition	168	\$ 17.19		
Exercised	(246)	\$ 0.58		
Forfeited	(74)	\$ 4.51		
Options outstanding at December 31, 2014	3,393	\$ 3.08		
Granted	770	\$ 2.71		
Exercised	(293)	\$ 0.77		
Forfeited	(156)	\$ 13.26		
Options outstanding at December 31, 2015	3,714	\$ 2.43	6.83	\$ 1,660
Vested and expected to vest at December 31, 2015	3,649	\$ 2.41	6.95	\$ 1,654
Exercisable at December 31, 2015	2,802	\$ 2.27	6.91	\$ 1,437

The following table summarizes information about the Company's stock options (in thousands, except per share amounts):

	Year Ended December 31,	
	2015	2014
Weighted-average grant date fair value per share of options granted with exercise prices:		
Equal to fair value	\$ 2.71	\$ 7.08
Intrinsic value of stock options exercised	\$ 1,053	\$ 1,641
Cash received upon exercise of stock options	\$ 225	\$ 148

Restricted Stock Units

The 2015 Plan authorizes the grant of restricted stock to employees, directors, and consultants. In December 2014, in connection with the acquisition of Overland, the Company assumed 673,776 RSUs, of which 359,482 units became vested at the close of the acquisition and were included in the purchase price. These 359,482 units were released in 2015. The fair value of each assumed restricted stock unit was the market price of the Company's stock on the date of the Overland acquisition, or \$7.71.

The following table summarizes information about RSU activity (in thousands, except per share amounts):

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding — January 1, 2014	—	\$ —
Awards assumed from acquisition	674	7.71
Forfeited	(1)	7.71
Outstanding — December 31, 2014	673	7.71
Granted	6,391	3.56
Vested and released	(1,308)	5.27
Forfeited	(138)	4.71
Outstanding — December 31, 2015	5,618	\$ 3.66

The estimated fair value of RSUs was based on the market value of the Company's common shares on the date of grant. RSUs typically vest over a three year period from the original date of grant. The total intrinsic value of RSUs vested during the years ended December 31, 2015 and 2014 was approximately \$14,000 and zero, respectively.

For the years ended December 31, 2015 and 2014, the Company recognized \$5.7 million and \$0.2 million, respectively, for share-based compensation expense related to restricted stock awards.

Share-Based Compensation Expense

The Company recorded the following compensation expense related to its share-based compensation awards (in thousands):

	Year Ended December 31,	
	2015	2014
Cost of product sales	\$ 183	\$ —
Sales and marketing	3,090	1,072
Research and development	1,050	22
General and administrative	2,831	2,159
Total share-based compensation expense	\$ 7,154	\$ 3,253

There was \$9,000 and \$347,000 of share-based compensation capitalized as development costs for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015, there was a total of \$18.1 million of unrecognized compensation expense related to unvested equity-based compensation awards. The expense associated with non-vested restricted stock units and options awards granted prior to December 31, 2015 is expected to be recognized over a weighted-average period of 1.5 years.

10. Net Loss per Share

Basic net loss per share is computed by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding during the period. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

Anti-dilutive common share equivalents excluded from the computation of diluted net loss per share were as follows (in thousands):

	December 31,	
	2015	2014
Common stock purchase warrants	9,078	2,419
Convertible notes	6,500	2,451
Restricted stock not yet vested and released	5,618	673
Options outstanding	3,714	3,393
Convertible notes interest	2,316	657
VDI earn-out liability	—	1,051

11. Income Taxes

The Company recognizes the impact of an uncertain income tax position on its income tax return at the largest amount that is "more likely than not" to be sustained upon audit by the relevant taxing authority. An uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained.

The following is a summary of the changes in the amount of unrecognized tax benefits (in thousands):

	Year Ended December 31,	
	2015	2014
Unrecognized tax benefits at the beginning of the period	\$ 673	\$ —
Increase related to prior periods	—	673
Unrecognized tax benefits	\$ 673	\$ 673

At December 31, 2015, there were no unrecognized tax benefits presented as a component of long-term liabilities in the accompanying consolidated balance sheet. At December 31, 2015, there was \$0.7 million presented as a reduction of the related deferred tax asset for which there is full valuation allowance, of which \$0.5 million will affect the effective tax rate if recognized. However, the portion that would be recognized as an increase to deferred tax assets may result in a corresponding increase in the valuation allowance at the time of recognition resulting in no net effect to the effective tax rate, depending upon the Company's assessment of the likelihood of realization of the tax benefits at the time they are recognized.

The Company believes it is reasonably possible that, within the next 12 months, the amount of unrecognized tax benefits may remain unchanged. The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. The Company had no material accrual for interest and penalties on its consolidated balance sheets at December 31, 2015 and 2014, and recognized no interest and/or penalties in the consolidated statements of operations for the years ended December 31, 2015 and 2014.

The components of loss before income taxes were as follows (in thousands):

	Year Ended December 31,	
	2015	2014
Domestic	\$ (8,549)	\$ (11,038)
Foreign	(40,044)	(1,642)
Total	<u>\$ (48,593)</u>	<u>\$ (12,680)</u>

The provision for income taxes includes the following (in thousands):

	Year Ended December 31,	
	2015	2014
Current:		
Federal	\$ —	\$ —
State	—	—
Foreign	266	45
Total current	<u>266</u>	<u>45</u>
Deferred:		
Federal	—	—
Foreign	(1,632)	(3)
Total deferred	<u>(1,632)</u>	<u>(3)</u>
Provision for income taxes	<u>\$ (1,366)</u>	<u>\$ 42</u>

A reconciliation of income taxes computed by applying the federal statutory income tax rate of 26.5% to loss before income taxes to the total income tax (benefit) provision reported in the accompanying consolidated statements of operations is as follows (in thousands):

	Year Ended December 31,	
	2015	2014
Income tax at statutory rate	\$ (12,877)	\$ (3,360)
Foreign rate differential	(2,038)	(354)
Increase in valuation allowance	12,689	2,952
Share-based compensation expense	1,567	812
Other differences	(707)	(8)
(Benefit from) provision for income taxes	<u>\$ (1,366)</u>	<u>\$ 42</u>

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are shown below. A full valuation allowance has been recorded, as realization of such assets is uncertain. Deferred income taxes are comprised as follows (in thousands):

	December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss carryforward:	\$ 82,636	\$ 71,146
Intangible assets	1,198	(609)
Tax credits	3,380	3,377
Inventory	2,344	3,130
Share-based compensation	852	1,347
Warranty and extended warranty	1,924	1,058
Other	1,182	1,377
Deferred tax asset, gross	93,516	80,826
Valuation allowance for deferred tax assets	(93,516)	(80,826)
	—	—
Deferred tax liabilities	(2,755)	(4,387)
Net deferred tax liabilities	\$ (2,755)	\$ (4,387)

At December 31, 2015, the Company had Canadian net operating loss carryforwards of \$12.7 million. These carryforwards will begin expiring in 2031, unless previously utilized.

At December 31, 2015, the Company had U.S. federal and state net operating loss carryforwards of \$198.5 million and \$118.0 million, respectively. These amounts include share-based compensation deductions of \$1.0 million that will be recorded to contributed capital when realized. The remaining federal net operating loss will begin expiring in 2022 unless previously utilized. State net operating loss carryforwards began expiring in 2016 unless previously utilized.

The Company's ability to use its U.S. federal and state net operating loss and research and development credit carryforwards may be substantially limited due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended, as well as similar state provisions. The Company has not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since the Company became a "loss corporation" under the definition of Section 382. Due to the existence of the valuation allowance, it is not expected that any possible limitation will have an impact on the results of operations or financial position of the Company.

At December 31, 2015, the Company had federal and California research and development tax credit carryforwards totaling \$1.2 million and \$3.4 million, respectively. The California research credit may be carried forward indefinitely. The federal research credit will begin expiring in 2024 unless previously utilized. In addition, the Company has foreign tax credit totaling \$0.3 million, which began expiring in 2016 unless previously utilized. The Company has federal alternative minimum tax credit carryforwards totaling \$0.2 million which can be carried forward indefinitely.

12. Related Party Transactions

In July 2013, the Company entered into a supply agreement, and a technology license agreement, with Overland. As payments under the supply agreement, Sphere 3D issued common shares with a value as of the date of issuance equal to zero and \$0.5 million to Overland during each of the years ended December 31, 2015 and 2014, respectively.

In September 2014, the Company entered into a commercial relationship with a third party customer to sell a license to its Glassware product. The customer required that the Glassware product be provided through one of its preapproved distribution

partners. The Company did not have a relationship with such distribution partner and in order to facilitate such transaction on a timely basis, the Company and Overland agreed that Overland would purchase the Glassware product from the Company and resell it to the distribution partner, with whom Overland had a preexisting relationship.

The Company recognized zero and \$0.8 million in revenue related to these agreements during the years ended December 31, 2015 and 2014, respectively. The Company made purchases of \$1.4 million from Overland related to the supply agreement prior to the acquisition of Overland on December 1, 2014. No amounts were included in other current assets and accounts payable under these agreements as of December 31, 2015 and 2014.

The Company recognized zero and \$0.2 million in interest income from a promissory note due from Overland during the years ended December 31, 2015 and 2014, respectively. No amounts were included in other current assets for interest income as of December 31, 2015 and 2014.

Legal and professional services of \$0.5 million and \$0.1 million were provided by affiliates of the Company during the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, accounts payable and accrued liabilities included \$0.2 million due to related parties.

13. 401K Plan

The Company maintains an employee savings and retirement plan (the “401(k) Plan”) covering all of the Company’s employees. The 401(k) Plan permits but does not require matching contributions by the Company on behalf of participants. The Company does not make matching contributions.

14. Commitments and Contingencies

Leases

The Company leases various office space, production facilities, and vehicles under non-cancelable operating leases that expire in various years through 2021. Future minimum lease payments as of December 31, 2015 under these arrangements are as follows (in thousands):

	Minimum Lease Payments
2016	\$ 1,620
2017	843
2018	559
2019	552
2020	195
Thereafter	18
Total	\$ 3,787

Rent expense under non-cancelable operating leases is recognized on a straight-line basis over the respective lease terms and was \$2.1 million and \$0.3 million for the years ended December 31, 2015 and 2014, respectively.

Letters of credit

During the ordinary course of business, the Company provides standby letters of credit to third parties as required for certain transactions initiated by the Company. As of December 31, 2015, the Company’s had standby letters of credit of \$0.6 million that were not recorded on the Company’s consolidated balance sheets.

Warranty and Extended Warranty

The Company had \$0.6 million and \$0.9 million in deferred costs included in other current and non-current assets related to deferred service revenue at December 31, 2015 and 2014, respectively. Changes in the liability for product warranty and deferred revenue associated with extended warranties and service contracts were as follows (in thousands):

	Product Warranty	Deferred Revenue
Liability at January 1, 2014	\$ —	\$ —
Liabilities assumed from acquisition	1,451	8,538
Settlements made during the period	(106)	(1,063)
Change in liability for warranties issued during the period	42	1,467
Change in liability for pre-existing warranties	50	6
Liability at December 31, 2014	1,437	8,948
Liabilities assumed from acquisition	20	—
Settlements made during the period	(224)	(8,952)
Change in liability for warranties issued during the period	398	7,047
Change in liability for pre-existing warranties	(602)	—
Liability at December 31, 2015	\$ 1,029	\$ 7,043
Current liability	\$ 652	\$ 5,405
Non-current liability	377	1,638
Liability at December 31, 2015	\$ 1,029	\$ 7,043

Litigation

The Company is, from time to time, subject to claims and suits arising in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending proceedings will not have a material effect on the Company's results of operations, financial position or cash flows.

Patent Litigation Funding Agreement

In December 2010, we entered into a litigation funding agreement (the "Funding Agreement") with Special Situations Fund III QP, L.P., Special Situations Private Equity Fund, L.P., Special Situations Technology Fund, L.P., and Special Situations Technology Fund II, L.P. (collectively, the "Special Situations Funds") pursuant to which the Special Situations Funds agreed to fund certain patent litigation brought by the Company. In May 2014, the Special Situations Funds filed a complaint against us in the Supreme Court for New York County, alleging breach of the Funding Agreement. The Special Situations Funds allege that our January 2014 acquisition of Tandberg Data entitled the Special Situation Funds to a \$6.0 million payment under the Funding Agreement, and therefore the Company's refusal to make the payment constitutes a breach of the Funding Agreement by us. In November 2014, the Special Situations Funds amended their complaint to allege that we breached the Funding Agreement's implied covenant of good faith and fair dealing by settling the patent litigation with BDT in bad faith to avoid a payment obligation under the Funding Agreement. The Special Situations Funds are seeking \$6.0 million in contractual damages as well as costs and fees. We believe the lawsuit to be without merit and intend to vigorously defend against the action. Discovery has closed, and the parties are briefing motions for summary judgment.

Patent Infringement

In June 2012, Overland filed patent infringement lawsuits in the United States (“U.S.”) District Court for the Southern District of California against Spectra Logic Corporation (“Spectra Logic”), based in Boulder, Colorado and Qualstar Corporation (“Qualstar”), based in Simi Valley, California. In the Spectra Logic case, Overland claimed infringement of U.S. Patent Nos. 6,328,766 and 6,353,581. In the Qualstar case, Overland claimed infringement of U.S. Patent No. 6,328,766. In August 2015, Overland and Spectra Logic entered into a settlement agreement to resolve all litigation, and the litigation has now been dismissed. In August 2015, Overland dismissed its claims against Qualstar.

In May 2013, Safe Storage LLC (“Safe Storage”), a Delaware limited liability company, filed a complaint against Overland in the U.S. District Court for the District of Delaware alleging infringement of U.S. Patent No. 6,978,346 by our products. Safe Storage is seeking monetary damages from us and injunctive relief. In January 2015, the Delaware district court entered an order staying Safe Storage’s case against us pending the outcome of a Petition for Inter Partes Review of the claims of U.S. Patent No. 6,978,346 filed by defendants in other Safe Storage litigation (IPR2014-00901). On December 9, 2015, a Final Decision was issued in the Inter Partes Review proceeding finding the challenged claims to be patentable over the cited prior art. Those defendants have the right to appeal the decision to the Court of Appeals for the Federal Circuit. On January 8, 2016, Safe Storage filed an opposed motion to lift the stay in the case. On March 11, 2016, the Court denied the motion and ruled that the stay will remain in place until any appeal of the IPR proceeding is resolved.

Merger

In May 2014, we announced that we had signed an agreement and plan of merger with Overland. Since the merger was announced, four separate putative shareholder class action lawsuits were filed against us, Overland, and all of its directors in the California Superior Court in and for the County of San Diego (the “Court”). Three of the lawsuits also named Cyrus Capital Partners, the majority shareholder of Overland, as a defendant. On June 25, 2014, the Court entered an order providing for the consolidation of all cases relating to Overland’s decision to enter into the merger agreement with Sphere 3D. These cases have been consolidated before a single judge and are referred to as *In re Overland Storage Inc., Shareholder Litigation*, Lead Case No. 37-2014-00016017-CU-SL-CTL (the “Consolidated Action”). On July 30, 2014, the plaintiffs filed their consolidated amended complaint. The lawsuit alleged breaches of fiduciary duties and conflicts of interest against Overland’s directors relating to the merger process, the terms of the merger agreement, and the consideration to be received by Overland’s shareholders under the terms of the merger agreement. The lawsuit alleged that we and the other defendants aided and abetted the purported breaches of fiduciary duties by Overland’s directors. The relief sought included an injunction prohibiting the consummation of the merger, rescission of the merger to the extent already implemented or rescissory damages, damages, and an award of attorneys’ fees and costs.

On October 13, 2014, the plaintiffs and the defendants entered into a memorandum of understanding (the “Memorandum of Understanding”) to settle the Consolidated Action subject to court approval. The Memorandum of Understanding provided, among other things, for the inclusion of supplemental disclosures in Amendment No. 2 to the Registration Statement on Form F-4 that was filed with the SEC on October 14, 2014. On April 20, 2015, as provided in the Memorandum of Understanding, the plaintiffs and the defendants entered into a stipulation of settlement (the “Stipulation”) to settle the Consolidated Action subject to court approval. The settlement terms in the Stipulation were as had been provided for in the Memorandum of Understanding. On June 26, 2015, the Court preliminarily approved the proposed settlement, and on October 2, 2015, the Court granted final settlement approval and dismissed the litigation as provided for in the settlement.

Other

On April 9, 2015, Imation filed a complaint in Minnesota state court alleging claims for declaratory relief, breach of contract, and tortious interference with contract against Tandberg Data Corp., Tandberg Data Holdings S.a.r.l., Overland Storage, Inc., and Sphere 3D Corp. (collectively “Defendants”) related to Imation’s RDX business. In the lawsuit, Imation accuses Defendants of anticipatory breach of an RDX-related license agreement that Imation entered into with ProStor Systems, Inc. (“ProStor”) in 2006. This lawsuit was dismissed with prejudice on August 11, 2015 in connection with the Company’s purchase of the assets related to the RDX[®] removable disk product lines and existing related inventory assets from Imation.

In April 2015, we filed a proof of claim in connection with bankruptcy proceedings of V3 Systems, Inc. (“V3”) based on breaches by V3 of the Asset Purchase Agreement entered into between V3 and the Company dated February 11, 2014 (the “APA”). On October 6, 2015, U.S. Dissolution Liquidating Trust (“UD Trust”), the apparent successor to V3, filed a complaint against us and certain of our current and former directors in the U.S. Bankruptcy Court for the District of Utah Central Division objecting to our proof of claim and asserting claims for affirmative relief against us and our directors. This complaint alleges, among other things, that Sphere breached the APA and engaged in certain other actions and/or omissions that caused V3 to be unable to timely sell the Sphere common shares received by V3 pursuant to the APA. The plaintiff seeks, among other things, monetary damages for the loss of the potential earn-out consideration, the value of the common shares held back by us pursuant to the APA and costs and fees. We believe the lawsuit to be without merit and intend to vigorously defend against the action.

On December 23, 2015, we filed a motion seeking to dismiss the majority of the claims asserted by the UD Trust. On January 13, 2016, we filed a counterclaim against the UD Trust in which we allege that V3 breached numerous provisions of the APA. In addition, we filed a motion seeking to withdraw the reference to the Bankruptcy Court and to instead have this dispute decided by the U.S. District Court for the District of Utah.

15. Segment Disclosure

The Company reports segment information as a single reportable business segment based upon the manner in which related information is organized, reviewed, and managed. The Company operates in one segment providing data storage and desktop virtualization solutions for small and medium businesses and distributed enterprises. The Company conducts business globally, and its sales and support activities are managed on a geographic basis. Our management reviews financial information presented on a consolidated basis, accompanied by disaggregated information it receives from its internal management system about revenues by geographic region, based on the location from which the customer relationship is managed, for purposes of allocating resources and evaluating financial performance.

Information about Products and Services

The following table summarizes net revenue (in thousands):

	Year Ended December 31,	
	2015	2014
Disk systems	\$ 39,836	\$ 8,518
Tape automation systems	12,764	1,868
Tape drives and media	12,914	1,815
Service	10,651	1,268
Total	\$ 76,165	\$ 13,469

Information about Geographic Areas

The Company markets its products domestically and internationally, with its principal international market being Europe. Revenue is attributed to the location to which the product was shipped. The Company divides its worldwide sales into three geographical regions: the Americas, consisting of U.S., Canada and Latin America; EMEA, consisting of Europe, the Middle East and Africa; and APAC, consisting of Asia Pacific countries.

The following table summarizes net revenue by geographic area (in thousands):

	Year Ended December 31,	
	2015	2014
EMEA	\$ 39,331	\$ 7,172
Americas	25,284	4,749
APAC	11,550	1,548
Total	\$ 76,165	\$ 13,469

During 2015 and 2014, there were two geographic areas with specific concentrations of net revenues greater than 10%. Revenues from customers in the U.S. comprised \$19.1 million and \$3.8 million of Americas net revenues during the year ended December 31, 2015 and 2014, respectively. Revenue from customers in Germany accounted for \$17.2 million and \$1.9 million of EMEA's net revenues during the year ended December 31, 2015 and 2014, respectively.

The following table presents property and equipment information for geographic areas based on the physical location of the assets (in thousands):

	Year Ended December 31,	
	2015	2014
Europe	\$ 1,779	\$ 2,038
Americas	1,584	1,340
Asia Pacific	609	1,049
Total	\$ 3,972	\$ 4,427

16. Subsequent Event

On March 25, 2016, the Company entered into a Warrant Exchange Agreement with an existing holder of 3,031,249 warrants to purchase 3,031,249 common shares of the Company. The holder agreed to exchange all of their existing warrants for new warrants of 7,199,216 entitling the holder to purchase up to, in aggregate, 7,199,216 common shares of the Company at an exercise price of \$1.22. On March 25, 2016, the holder exercised 3,031,249 of the new warrants for 3,031,249 common shares of the Company. The Company received \$3.7 million in proceeds from the exercise of the new warrants. The expiration date for the remaining balance of the new warrants is March 25, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following annual management's discussion and analysis ("MD&A") should be read in conjunction with our audited consolidated financial statements and the accompanying notes of Sphere 3D Corp. (the "Company") for the year ended December 31, 2015. The consolidated financial statements have been presented in United States ("U.S.") dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Unless the context otherwise requires, any reference to the "Company", "Sphere 3D", "we", "our", "us" or similar terms refers to Sphere 3D Corp. and its subsidiaries. Unless otherwise indicated, all references to "\$" and "dollars" in this discussion and analysis mean U.S. dollars. This MD&A includes forward-looking statements that involve risks, uncertainties and assumptions that are difficult to predict. Words and expressions reflecting optimism, satisfaction or disappointment with current prospects, as well as words such as "believes," "hopes," "intends," "estimates," "expects," "projects," "plans," "anticipates" and variations thereof, or the use of future tense, identify forward-looking statements, but their absence does not mean that a statement is not forward-looking. Such forward-looking statements are not guarantees of performance and our actual results could differ materially from those contained in such statements. Factors that could cause or contribute to such differences include, but are not limited to: our ability to raise additional capital to fund operations; our ability to successfully integrate the business of Overland Storage, Inc. ("Overland") with our other businesses; our ability to maintain and increase sales volumes of our products; our ability to continue to control costs and operating expenses; our ability to generate cash from operations; the ability of our suppliers to provide an adequate supply of components for our products at prices consistent with historical prices; our ability to repay our debt as it comes due; our ability to introduce new competitive products and the degree of market acceptance of such new products; the timing and market acceptance of new products introduced by our competitors; our ability to maintain strong relationships with branded channel partners; customers', suppliers', and creditors' perceptions of our continued viability; rescheduling or cancellation of customer orders; loss of a major customer; our ability to enforce our intellectual property rights and protect our intellectual property; general competition and price measures in the market place; unexpected shortages of critical components; worldwide information technology spending levels; and general economic conditions. Further, our customers may use our products in ways that may infringe the intellectual property rights of third parties and/or require a license from third parties. Although we encourage our customers to use our products only in a manner that does not infringe third party intellectual property rights, and we know that most of our clients do so, we cannot guarantee that such third parties will not seek remedies against us for providing products that may enable our customers to infringe the intellectual property rights of others. For more information on these risks, you should refer to the Company's filings with the securities regulatory authorities, including the Company's most recently filed annual information form, which is available on SEDAR at www.sedar.com and EDGAR at www.sec.gov. In evaluating such statements we urge you to specifically consider various factors identified in this report, any of which could cause actual results to differ materially from those indicated by such forward-looking statements. Forward-looking statements speak only as of the date of this report and we undertake no obligation to publicly update any forward-looking statements to reflect new information, events or circumstances after the date of this report. Actual events or results may differ materially from such statements. The Company has been informed that the disclosure of goals or guidance to the public may constitute forward looking information ("FLI") under applicable Canadian securities laws. Under such rules the Company would be required to describe in detail the material factors and assumptions supporting such FLI. The Company believes that in this case such additional details would include commercially sensitive information about the Company's products and services. This competitively sensitive information relating to the Company and potentially the Company's partners could cause material harm to the Company if made available. In addition this type of disclosure could be in violation of existing non-disclosure agreements with partners and/or customers. As such, and as per the requirements of SN51-721, the Company has withdrawn the FLI disclosed in its press release from February 17, 2015.

Overview

Sphere 3D delivers containerization and virtualization technologies along with data management products that enable workload-optimized solutions. We achieve this through a combination of containerized applications, virtual desktops, virtual storage and physical hyper-converged platforms. Sphere 3D's value proposition is simple and direct—we allow organizations to deploy a combination of public, private, or hybrid cloud strategies while backing them up with storage solutions.

Sphere 3D, through the design of a proprietary virtualization software, created its own platform, Glassware 2.0™ (“Glassware”), for the delivery of applications from a server-based computing architecture. This is accomplished through a number of unique approaches to virtualization utilized by Glassware including the use of software “containers” and “microvisors”. A container refers to software that takes an application and all the things required to run that application and encapsulates them with software. By doing so, users can run numerous applications from a single server and on a single copy of the operating system. A microvisor refers to the technology that allows non-Windows® based applications to run on the same servers as Windows software through the use of a lightweight emulator.

Current Year Acquisition. In August 2015, we completed an acquisition of assets related to the RDX® removable disk product lines from Imation Corp. (“Imation”). We issued 1,529,126 common shares with an approximate value of \$6.1 million, and a warrant exercisable for 250,000 additional common shares exercisable in connection with certain purchase price adjustments under the asset purchase agreement. In February 2016, the warrant was exercised and as a result we issued 250,000 common shares at \$0.01 to Imation.

Prior Year Acquisition. In December 2014, we completed our acquisition of Overland, a provider of data storage and data protection solutions in exchange for common shares, and Overland became a wholly-owned subsidiary of the Company. Our financial position and operating performance include the financial position and operating performance of Overland from and after December 2, 2014.

In December 2014, we adopted accounting principles generally accepted in the United States of America (“GAAP”). Prior to December 2, 2014, the consolidated financial statements of the consolidated entity were prepared and presented in accordance with International Financial Reporting Standards (“IFRS”). The differences between IFRS and GAAP for Sphere 3D were not material, except for share-based compensation which resulted in additional expense of \$0.7 million in 2014. Our 2014 annual filing and related re-filed quarterly filings were filed in GAAP and in U.S. dollars, and included such adjustments.

Purchase of VDI Technology. In March 2014, we acquired from V3 Systems certain Virtual Desktop Infrastructure (“VDI”) technology, including V3 Desktop Cloud Orchestrator® software, which allows administrators to manage local, cloud hosted, or hybrid virtual desktop deployments, and purpose-built, compact, efficient, and easy-to-manage servers.

Generation of revenue. We generate the majority of our revenue from sales of our disk systems, and data management and storage products. The balance of our revenue is provided by selling maintenance contracts and rendering related services. The majority of our sales are generated from sales of our branded products through a worldwide channel, which includes systems integrators and value-added resellers. Glassware software sales were not material in 2015 and 2014.

We reported net revenue of \$76.2 million for 2015, compared with \$13.5 million for 2014. We reported a net loss of \$47.2 million, or \$1.24 per share, for 2015 compared with a net loss of \$12.7 million, or \$0.53 per share, for 2014.

Cost of Sales. Our cost of sales have been primarily comprised of the cost of materials and components purchased from our suppliers, assembly labor and overhead costs, product transportation costs and other supply chain management costs.

Selling, Marketing, and Administration Expenses. Our selling and marketing expenses consist primarily of costs relating to our sales and marketing activities, including salaries and related expenses, customer support, advertising, trade shows, and other promotional activities. We offer various cooperative marketing programs to assist our sales channel to market and sell our products which are included as part of selling and marketing expenses. Our administration expenses consist of costs relating to people services, information systems, legal and finance functions, professional fees, insurance, stock-based compensation, and other corporate expenses.

Research and Development Expenses. Research and development expenses consist primarily of salaries and related expenses for software and hardware engineering and technical personnel as well as materials and consumables used in product development.

Recent Legal Developments

In October 2015, the court in the previously disclosed consolidated action relating to our merger with Overland Storage, Inc. approved the terms of the class action settlement and the merger litigation was dismissed with prejudice. The consolidated action had alleged breaches of fiduciary duties and conflicts of interest against Overland's directors relating to the merger process, the terms of the merger agreement, and the consideration to be received by Overland's shareholders under the terms of the merger agreement.

In May 2013, Safe Storage LLC ("Safe Storage"), a Delaware limited liability company, filed a complaint against Overland in the U.S. District Court for the District of Delaware alleging infringement of U.S. Patent No. 6,978,346 by our products. Safe Storage is seeking monetary damages from us and injunctive relief. In January 2015, the Delaware district court entered an order staying Safe Storage's case against us pending the outcome of a Petition for Inter Partes Review of the claims of U.S. Patent No. 6,978,346 filed by defendants in other Safe Storage litigation (IPR2014-00901). On December 9, 2015, a Final Decision was issued in the Inter Partes Review proceeding finding the challenged claims to be patentable over the cited prior art. Those defendants have the right to appeal the decision to the Court of Appeals for the Federal Circuit. On January 8, 2016, Safe Storage filed an opposed motion to lift the stay in the case. On March 11, 2016, the Court denied the motion and ruled that the stay will remain in place until any appeal of the IPR proceeding is resolved.

In April 2015, we filed a proof of claim in connection with bankruptcy proceedings of V3 Systems, Inc. ("V3") based on breaches by V3 of the Asset Purchase Agreement entered into between V3 and the Company dated February 11, 2014 (the "APA"). On October 6, 2015, U.S. Dissolution Liquidating Trust ("UD Trust"), the apparent successor to V3, filed a complaint against us and certain of our current and former directors in the U.S. Bankruptcy Court for the District of Utah Central Division objecting to our proof of claim and asserting claims for affirmative relief against us and our directors. This complaint alleges, among other things, that Sphere breached the APA and engaged in certain other actions and/or omissions that caused V3 to be unable to timely sell the Sphere common shares received by V3 pursuant to the APA. The plaintiff seeks, among other things, monetary damages for the loss of the potential earn-out consideration, the value of the common shares held back by us pursuant to the APA and costs and fees. We believe the lawsuit to be without merit and intend to vigorously defend against the action.

In December 2015, we filed a motion seeking to dismiss the majority of the claims asserted by the UD Trust. On January 13, 2016, we filed a counterclaim against the UD Trust in which we allege that V3 breached numerous provisions of the APA. In addition, we filed a motion seeking to withdraw the reference to the Bankruptcy Court and to instead have this dispute decided by the U.S. District Court for the District of Utah.

Results of Operations

The following table sets forth certain financial data as a percentage of net revenue:

	Year Ended December 31,	
	2015	2014
Net revenue	100.0 %	100.0 %
Cost of revenue	70.3	60.4
Gross profit	29.7	39.6
Operating expenses:		
Sales and marketing	30.9	38.3
Research and development	13.0	4.9
General and administrative	30.6	85.9
Impairment of acquired intangible assets	14.1	—
	88.6	129.1
Loss from operations	(58.9)	(89.5)
Interest expense	(4.1)	(3.3)
Other expense, net	(0.9)	(1.4)
Loss before income taxes	(63.9)	(94.2)
(Benefit from) provision for income taxes	(1.8)	0.3
Net loss	(62.1)%	(94.5)%

A summary of the sales mix by product follows:

	Year Ended December 31,	
	2015	2014
Disk systems	52.3%	63.2%
Tape automation systems	16.8	13.9
Tape drives and media	17.0	13.5
Service	13.9	9.4
Total	100.0%	100.0%

We divide our worldwide sales into three geographical regions: the Americas, consisting of the U.S., Canada and Latin America; EMEA, consisting of Europe, the Middle East and Africa; and APAC, consisting of Asia Pacific countries.

The following table summarizes net revenue by geographic area (in thousands):

	Year Ended December 31,	
	2015	2014
EMEA	\$ 39,331	\$ 7,172
Americas	25,284	4,749
APAC	11,550	1,548
Total	\$ 76,165	\$ 13,469

Results of Operations – Comparison of Years Ended December 31, 2015 and 2014

In December 2014, we completed our acquisition of Overland, which added approximately 470 employees to our workforce and a wide variety of data protection products to our product mix. As such, overall increases from 2015 compared to 2014 are primarily from our Overland acquisition.

Net Revenue

We had revenue of \$76.2 million during 2015 compared to \$13.5 million during 2014. The increase in net revenue is a result of our acquisition of Overland in December 2014, which contributed significant product offerings in 2015. In addition, in August 2015, we completed an acquisition of Imation's RDX[®] product line which accounted for 6.0% of net revenues in 2015. Original equipment manufacturer ("OEM") net revenue accounted for approximately 16.9% and 11.1% of net revenue in 2015 and 2014, respectively. During 2014, we had \$0.8 million of revenue that was earned from our related agreements with Overland.

Product Revenue

Net product revenue increased to \$65.5 million during 2015 from \$12.2 million during 2014. The increase of approximately \$53.3 million resulted from our product offerings from our acquisition of Overland in December 2014 and \$4.5 million from our RDX[®] product line which we acquired in August 2015.

Service Revenue

Net service revenue increased to \$10.7 million during 2015 from \$1.3 million during 2014. The increase of approximately \$9.4 million was primarily due to service revenue generated by Overland which was acquired in December 2014.

Gross Profit

Overall gross profit increased to \$22.6 million during 2015 compared to \$5.3 million during 2014. The increase was due to increased sales volumes related to Overland which was acquired in December 2014. Gross margin at 29.7% for 2015 decreased from 39.6% for 2014 due to our transition to a company with worldwide operations and a significant increase in product sales as a result of our acquisition of Overland in December 2014.

Product Revenue

Gross profit on product revenue was \$16.7 million in 2015 compared to \$4.7 million during 2014. The increase of \$12.0 million was due to increased sales volumes related to Overland which was acquired in December 2014 and our RDX[®] product line which we acquired in August 2015. Gross margin on product revenue of 25.5% for 2015 decreased from 38.2% for 2014 due to our transition to a company with worldwide operations, and a significant increase in product sales both as a result of our acquisition of Overland in December 2014 and of the RDX[®] product line in August 2015.

Service Revenue

Gross profit on service revenue during 2015 was \$5.9 million compared to \$0.6 million during 2014. The increase of \$5.3 million was primarily due to our assumption of extended service contracts in connection with our acquisition of Overland in December 2014. Gross margin on service revenue was 55.7% for 2015 compared to 52.9% for 2014 due to higher margin service contracts we assumed in connection with our acquisition of Overland in December 2014.

Operating Expenses

Sales and Marketing Expense

Sales and marketing expenses were \$23.6 million and \$5.2 million for the years ended December 31, 2015 and 2014, respectively. The increase of \$18.4 million was primarily due to an increase related to our acquisition of Overland in December 2014, which led to: (i) a \$14.4 million increase in employee and related expenses associated with a higher average headcount; (ii) a \$1.5 million increase in outside contractor fees; and (iii) a \$2.0 million increase in share-based compensation.

Research and Development Expense

Research and development expenses were \$9.9 million and \$0.7 million for the years ended December 31, 2015 and 2014, respectively. The increase of \$9.2 million was due to: (i) an increase of \$6.3 million in employee and related expenses associated with an increase in average headcount from our acquisition of Overland in December 2014; (ii) a \$0.7 million increase in share-based compensation; and (iii) a \$0.4 million increase in outside contractor fees and development costs. During 2015 and 2014, we capitalized \$0.1 million and \$1.8 million, respectively, of development costs which was primarily made up of employee and related costs, development supplies, and share-based compensation.

General and Administrative Expense

General and administrative expenses were \$23.3 million and \$11.6 million for the years ended December 31, 2015 and 2014, respectively. The increase of \$11.7 million was due to: (i) a \$3.4 million increase in employee related expenses associated with an increase in average headcount related to our acquisition of Overland in December 2014; (ii) a \$1.9 million increase in outside contractor fees; (iii) a \$1.6 million increase in auditor and tax professionals' fees primarily as a result of our expanded business operations caused by our acquisition of Overland in December 2014; (iv) a \$1.6 million increase in bad debt expense; (v) a \$0.8 million increase in amortization expense related to intangible assets; (vi) a \$0.8 million increase in public reporting expenses including public relations; and (vii) a \$0.7 million increase in share-based compensation, and (viii) a \$0.6 million increase in legal and advisory expenses primarily related to transactional matters and litigation.

Impairment of Acquired Intangible Assets

Impairment of acquired intangible assets were \$10.7 million and zero for the years ended December 31, 2015 and 2014, respectively. During the fourth quarter of 2015, we concluded that our lower net revenue due to timing of projected growth of products and integration of channel partner relationships from the acquisition of Overland could be indicators of impairment and, therefore, performed a third party impairment analysis. At December 31, 2015, as a result of the analysis, we recorded an impairment of \$10.7 million of which \$1.7 million related to developed technology, \$4.1 million related to channel partner relationships, and \$4.9 million related to trade names.

Non-Operating Expenses

Interest Expense

Interest expense was \$3.1 million and \$0.4 million for the years ended December 31, 2015 and 2014, respectively. The increase is related to interest expense for the \$19.5 million convertible note with affiliates of Cyrus Capital Partners, a related party, and the \$17.4 million outstanding on our credit facilities, \$10.0 million of which was payable to affiliates of Cyrus Capital Partners.

Other Expense, Net.

Other expense, net, in 2015 was \$0.7 million of expense compared to \$0.2 million in 2014. The expense in 2015 was primarily related to realized foreign currency losses of \$1.7 million, offset by other income of \$1.0 million which included \$0.5 million for revaluation of warrants.

Income Tax

Income tax benefit was \$1.4 million for the year ended December 31, 2015, which primarily related to the deferred tax liabilities for the \$10.7 million impairment on intangible assets recognized in 2015. In 2014, we had a minimal income tax provision related to foreign tax provisions.

Liquidity and Capital Resources

At December 31, 2015, we had a cash balance of \$8.7 million, compared to \$4.3 million at December 31, 2014. In 2015, we incurred a net loss of \$47.2 million. At December 31, 2015, we had a balance of \$19.5 million recorded as long-term debt owed to a related party. Our credit facilities provide for secured loans of up to \$18.0 million which may be used to fund our working capital and our general business requirements. At December 31, 2015, our credit facilities balance was \$17.4 million which was recorded as a current liability. In February 2016, the credit facility was amended to extend the scheduled maturity date from February 2016 to August 2016, and we entered into a fee letter with the lender, which we agreed to pay a fee in the amount of \$40,000, as well as an additional amount of \$150,000 (“Additional Fee”) payable under certain circumstances. The Additional Fee, at the option of the lender, is payable in cash or in the form of a warrant for the purchase of common shares, no par value, of the Company.

Cash management and preservation continue to be a top priority. We expect to incur negative operating cash flows as we continue to increase our sales volume, and during the continued period of integration for our acquisition of Overland completed in December 2014 as we work to combine the entities and improve operational efficiencies.

As of December 31, 2015, we had a working capital deficit of \$9.9 million, reflecting increases in current assets and current liabilities of \$4.4 million and \$9.3 million, respectively. The increase in current assets is primarily attributable to a \$4.4 million increase in cash related to our \$5.1 million equity financing completed in December 2015. The increase in current liabilities is primarily attributable to a \$12.5 million increase in current debt related to our credit facilities, offset by decreases of \$1.4 million in accrued payroll and employee compensation and \$1.2 million in deferred revenue.

In December 2015, we completed an equity financing of 2,527,500 common shares and warrants to purchase up to 2,527,500 common shares for a gross purchase price of approximately \$5.1 million. The purchase price for one common share and a warrant to purchase one common share was \$2.00. The warrants have an exercise price of \$2.50 per share and a five-year term. We have the right to force the exercise of the warrants if the weighted average price of the common shares for 10 consecutive trading days exceeds 400% of \$1.79. Warrants to purchase up to 1,500,000 common shares include a one-time adjustment provision, as defined in the agreement, which provides that the exercise price will be automatically adjusted, if the adjustment price as calculated on May 28, 2016, is less than \$2.50.

In December 2015, related to our September and October 2015 subscription agreements, we issued an additional 1,297,435 warrants to purchase 1,297,435 common shares in conjunction with the price protection clauses in effect through December 31, 2015 and the equity financing completed in December 2015. Each warrant has an exercise price of \$2.33.

On March 25, 2016, we entered into a Warrant Exchange Agreement with an existing holder of 3,031,249 warrants to purchase 3,031,249 common shares of the Company. The holder agreed to exchange all of their existing warrants for new warrants of 7,199,216 entitling the holder to purchase up to, in aggregate, 7,199,216 common shares of the Company at an exercise price of \$1.22. On March 25, 2016, the holder exercised 3,031,249 of the new warrants for 3,031,249 common shares of the Company. We received \$3.7 million in proceeds from the exercise of the new warrants. The expiration date for the remaining balance of the new warrants is March 25, 2021.

Management has projected that cash on hand, available borrowings under our credit facilities may not be sufficient to allow us to continue operations for the next 12 months. Significant changes from our current forecasts, including, but not limited to: (i) shortfalls from projected sales levels; (ii) unexpected increases in product costs; (iii) increases in operating costs; and (iv) changes to the historical timing of collecting accounts receivable could have a material adverse impact on our ability to access the level of funding necessary to continue our operations at current levels. If any of these events occur or if we are not able to secure additional funding, we may be forced to make further reductions in spending, extend payment terms with suppliers, liquidate assets where possible, and/or suspend or curtail planned programs. Any of these actions could materially harm our business, results of operations and future prospects.

We have incurred losses from operations and negative cash flows from operating activities for the 12 months ended December 31, 2015, and such losses might continue for a period of time. Based upon our current expectations and projections for the next year, we believe that the Company may not have sufficient liquidity necessary to sustain operations for the next 12 months due to the maturity dates of the existing credit facilities. These factors, among others, raise doubt that the Company will be able to continue as a going concern. We are in process of pursuing options to replace the existing short term credit facilities. We have entered into a non-binding proposal with a commercial bank which sets forth proposed terms upon which such bank would provide us up to \$20.0 million in debt financing. We are in the process of negotiating definitive documentation relating to the new proposed financing with the bank, which consummation will be subject to a number of customary closing conditions for a transaction of this nature. Assuming the closing of the financing, we expect to use portions of the proceeds to repay our existing credit facility with Silicon Valley Bank and to repay \$5.0 million of our related party credit facility. We would also expect the remaining \$5.0 million under our related party credit facility to be refinanced into the outstanding convertible note. As of the date of this report, uncertainty exists as to the ultimate completion of these proposed transactions, and there are no assurances that our negotiation efforts will result in any definitive agreements.

As a result of our recurring losses from operations and negative cash flows, the report from our independent registered public accounting firm regarding our consolidated financial statements for the year ended December 31, 2015 includes an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern.

During 2015, we used cash in operating activities of \$23.2 million, compared to \$8.5 million in 2014. The use of cash during 2015 was primarily a result of our net loss of \$47.2 million offset by \$24.8 million in non-cash items, which included a \$10.7 million impairment of acquired intangible assets, share-based compensation, depreciation and amortization, provision for losses on accounts receivable, deferred tax benefit, and gain on warrant liability.

We used cash in investing activities of \$0.6 million compared to \$8.9 million in 2014. During 2015, capital expenditures totaled \$0.4 million. Such expenditures were primarily associated with computer equipment to support product quality. During 2015, we capitalized \$0.1 million of development costs as intangible assets. In 2014, we loaned \$5.3 million, net, to Overland, capitalized \$1.5 million of development costs as intangible assets, purchased \$0.5 million of fixed assets primarily associated with computer equipment to support product development, and purchased \$4.0 million of intangible assets related to developed technology. These were offset by \$2.3 million of cash assumed from our acquisition completed in December 2014.

We generated cash from our financing activities of \$28.3 million during 2015, compared to \$16.5 million during 2014. During 2015, we received \$14.5 million net, from the issuance of common stock for equity financings, \$10.0 million from draws on our related party credit facility, \$2.5 million from draws on our credit facility, and \$1.3 million from the exercise of warrants. During 2014, we received \$8.5 million net, from the issuance of common stock, \$5.0 million from a note payable with a related party, and \$2.7 million from the exercise of warrants.

Contractual Obligations and Commitments

Contractual Obligations and Commitments

The following schedule summarizes our contractual obligations to make future payments at December 31, 2015 (in thousands):

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt — related party, including interest ⁽¹⁾	\$ 33,455	\$ 12,010	\$ 21,445		\$ —
Credit facility	7,391	7,391	—	—	—
Operating lease obligations ⁽²⁾	3,787	1,620	1,402	747	18
Purchase obligations ⁽³⁾	2,503	2,503	—	—	—
Total contractual obligations	\$ 47,136	\$ 23,524	\$ 22,847	\$ 747	\$ 18
Other commercial commitments:					
Letters of credit	\$ 623	\$ 563	\$ 60	\$ —	\$ —

- (1) Long-term debt includes our related party notes. Interest payments have been calculated using the amortization profile of the debt outstanding at December 31, 2015, taking into account the fixed rate paid at year end.
- (2) Represents contractual lease obligations under non-cancelable operating leases.
- (3) Represents purchase orders for inventory and non-inventory items entered into prior to December 31, 2015, with purchase dates extending beyond January 1, 2016. Some of these purchase obligations may be canceled.

Off-Balance Sheet Arrangements

During the ordinary course of business, we provide standby letters of credit to third parties as required for certain transactions initiated by us. As of December 31, 2015, we had standby letters of credit of \$0.6 million that were not recorded on our consolidated balance sheets.

Inflation

Inflation has not had a significant impact on our operations during the periods presented. Historically, we have been able to pass on to our customers increases in raw material prices caused by inflation. If at any time we cannot pass on such increases, our margins could suffer.

Disclosure Controls and Procedures and Internal Controls

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Internal Control Over Financial Reporting

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act,

management has conducted an assessment, including testing, using the criteria in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Our system of internal control over financial reporting is designed 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 principles.

Based on our evaluation under the framework in Internal Control-Integrated Framework, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of December 31, 2015. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report on internal control over financial reporting was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this annual report.

This report on internal control over financial reporting shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any of our filings, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Code of Ethics

We have adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Such code is posted on the Company's website and is available at www.sphere3d.com.

Quantitative and Qualitative Disclosures about Market and Other Financial Risks

Market risk represents the risk of loss that may impact our financial position, results of operations, or cash flows due to adverse changes in financial and commodity market prices and rates. We are exposed to market risk from changes in foreign currency exchange rates as measured against the U.S. dollar. These exposures are directly related to our normal operating and funding activities. Historically, we have not used derivative instruments or engaged in hedging activities.

Foreign Currency Risk. We conduct business on a global basis and a significant portion of our sales in international markets are not denominated in U.S. dollars. Export sales represent a significant portion of our sales and are expected to continue to represent a significant portion of sales. In addition, our wholly-owned foreign subsidiaries incur costs that are denominated in local currencies. As exchange rates vary, these results may vary from expectations when translated into U.S. dollars, which could adversely impact overall expected results. The effect of exchange rate fluctuations on our results of operations resulted in a loss of \$1.7 million and \$0.2 million for the years ended December 31, 2015 and 2014, respectively.

Credit Risk. Credit risk is the risk that the counterparty to a financial instrument fails to meet its contractual obligations, resulting in a financial loss to us. We sell to a diverse customer base over a global geographic area. We evaluate collectability of specific customer receivables based on a variety of factors including currency risk, geopolitical risk, payment history, customer stability and other economic factors. Collectability of receivables is reviewed on an ongoing basis by management and the allowance for doubtful receivables is adjusted as required. Account balances are charged against the allowance for doubtful receivables when we determine that it is probable that the receivable will not be recovered. We believe that the geographic diversity of the customer base, combined with our established credit approval practices and ongoing monitoring of customer balances, mitigates this counterparty risk.

Liquidity Risk. Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. We continually monitor our actual and projected cash flows and believe that our internally generated cash flows, combined with our revolving credit facilities, will provide us with sufficient funding to meet all working capital and financing needs for at least the next 12 months.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial position and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, net revenue and expenses, and related disclosure of contingent liabilities. We review our estimates on an ongoing basis. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those policies that, in management's view, are most important in the portrayal of our financial condition and results of operations. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the consolidated financial statements. The footnotes to our consolidated financial statements also include disclosure of significant accounting policies. We believe the critical accounting policies below to be critical to the judgments, estimates and assumptions used in the preparation of the consolidated financial statements.

Revenue Recognition

Revenue from sales of products is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, collectability is reasonably assured and delivery has occurred. Under this policy, revenue on direct product sales, excluding sales to distributors, is recognized upon shipment of products to customers. These customers are not entitled to any specific right of return or price protection, except for any defective product that may be returned under our standard product warranty. Revenue from services, such as extended product warranties, are deferred and recognized over the period of the service agreement.

Title and risk of loss transfer to the customer when the product leaves our dock, except for one subsidiary where title and risk of loss transfer to the customer when the product arrives at the customer's location. Product sales to distribution customers are subject to certain rights of return, stock rotation privileges and price protection. Because we are unable to estimate its exposure for returned product or price adjustments, revenue from shipments to these customers is not recognized until the related products are in turn shipped to the ultimate customer by the distributor. For products for which software is more than an incidental component, we recognize revenue in accordance with current authoritative guidance for software revenue recognition.

We enter into revenue arrangements that may consist of multiple deliverables of its product and service offerings, such as for sales of hardware devices and extended warranty services. We allocate revenue to deliverables in multiple element arrangements based on relative selling prices. We determine its vendor-specific objective evidence ("VSOE") based on its normal pricing and discounting practices for the specific product or service when sold separately. When we are not able to establish VSOE for all deliverables in an arrangement with multiple elements, we attempt to determine the selling price of each element based on third party evidence of selling price, or based on our actual historical selling prices of similar items, whichever management believes provides the most reliable estimate of expected selling prices.

Inventory Valuation

Inventories are stated at the lower of cost or market using the first-in-first-out method. We assess the value of inventories periodically based upon numerous factors including, among others, expected product or material demand, current market conditions, technological obsolescence, current cost and net realizable value. If necessary, we write down its inventory for obsolete or unmarketable inventory by an amount equal to the difference between the cost of the inventory and the estimated market value.

Goodwill and Intangible Assets

Goodwill represents the excess of consideration paid over the value assigned to the net tangible and identifiable intangible assets acquired. For intangible assets purchased in a business combination, the estimated fair values of the assets received are used to establish their recorded values. For intangible assets acquired in a non-monetary exchange, the estimated fair values of the assets transferred (or the estimated fair values of the assets received, if more clearly evident) are used to establish their recorded values. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value.

Purchased intangible assets are amortized on a straight-line basis over their economic lives of 25 years for channel partner relationships, four to nine years for developed technology, eight years for capitalized development costs, and five to 25 years for customer relationships as this method most closely reflects the pattern in which the economic benefits of the assets will be consumed. When the carrying value is not considered recoverable, an impairment loss for the amount by which the carrying value of an intangible asset exceeds its fair value is recognized, with an offsetting reduction in the carrying value of the related intangible asset. If our future results are significantly different from forecast, we may be required to further evaluate intangible assets for recoverability and such analysis could result in an impairment charge in a future period.

Impairment of Goodwill, Other Indefinite-Lived Intangible Assets and Long-Lived Assets

Goodwill and other indefinite-lived assets are tested for impairment on an annual basis at December 31, or more frequently if there are indicators of impairment. Triggering events for impairment reviews may be indicators such as adverse industry or economic trends, restructuring actions, lower projections of profitability, or a sustained decline in our market capitalization. Other indefinite-lived intangible assets are quantitatively assessed for impairment, if necessary, by comparing their estimated fair values to their carrying values. If the carrying value exceeds the fair value, the difference is recorded as an impairment.

Long-lived assets, such as property and equipment and intangible assets subject to amortization, are reviewed for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable. Our consideration includes, but is not limited to: (i) significant under-performance relative to historical or projected future operating results; (ii) significant changes in the manner of use of the assets or the strategy for our overall business; (iii) significant decrease in the market value of the assets; and (iv) significant negative industry or economic trends.

When the carrying value is not considered recoverable, an impairment loss for the amount by which the carrying value of a long-lived asset exceeds its fair value is recognized, with an offsetting reduction in the carrying value of the related asset.

Risk Factors

See "Risk Factors" included in our Annual Information Form.

Additional Information

Additional information about Sphere 3D can be found on SEDAR at www.sedar.com, on EDGAR at www.sec.gov and on our website at www.sphere3d.com.

Certifications

The required disclosure is included in Exhibits 31.1, 31.2, 32.1 and 32.2 to this Annual Report on Form 40-F.

Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: March 30, 2016

Sphere 3D Corp.

/s/ Eric L. Kelly

Eric L. Kelly

Chief Executive Officer

EXHIBIT LIST

<u>Exhibit</u>	<u>Description</u>
23.1	Consent of Moss Adams (consent of independent registered public accounting firm)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
10.1	Amendment No. 3 to Amended and Restated Loan and Security Agreement, dated December 18, 2015, Overland Storage, Inc., Tandberg Data GmbH, the Company, the Guarantors signatory thereto and Silicon Valley Bank
10.2	Amendment No. 4 to Amended and Restated Loan and Security Agreement, dated February 26, 2016, Overland Storage, Inc., Tandberg Data GmbH, the Company, the Guarantors signatory thereto and Silicon Valley Bank
10.3	Representative's Warrant Agreement for the purchase of up to 88,463 common shares, dated January 15, 2016
10.4	Warrant Exchange Agreement, dated March 25, 2016, by and between the Company and MacFarlane Family Ventures, LLC
10.5	Warrant for the purchase of up to 7,199,216 common shares, dated March 25, 2016, issued to MacFarlane Family Ventures, LLC
10.6	Registration Rights Agreement, dated March 25, 2016, by and between the Company and MacFarlane Family Ventures, LLC

**AMENDMENT NO. 3 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

This AMENDMENT NO. 3 TO LOAN AND SECURITY AGREEMENT (this “**Amendment**”),

is entered into as of December 18, 2015, by and among OVERLAND STORAGE, INC., a California corporation (“**US Borrower**”), TANDBERG DATA GMBH, a limited liability company organized under the laws of Germany (“**German Borrower**”), SPHERE 3D CORP., an Ontario corporation (formerly known as Sphere 3D Corporation) (“**Canadian Borrower**” and together with US Borrower and German Borrower, collectively, the “**Borrowers**”), the Guarantors signatory hereto and SILICON VALLEY BANK, a California corporation (“**Bank**”).

RECITALS

- A.** Bank and Borrowers have entered into to that certain Amended and Restated Loan and Security Agreement, dated as of March 19, 2014 (as amended, amended and restated, supplemented, restructured or otherwise modified, renewed or replaced from time to time, the “**Loan Agreement**”), pursuant to which Bank has extended and will make available to Borrowers certain advances of money;
- B.** Borrowers desire that Bank amend the Loan Agreement upon the terms and conditions fully set forth herein; and
- C.** Subject to the representations and warranties of the Borrowers herein and upon the terms and conditions set forth in this Amendment, Bank is willing to so amend the Loan Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

1 **DEFINED TERMS.** All capitalized terms not defined herein shall have the respective meanings ascribed to such terms in the Loan Agreement.

2 **AMENDMENTS TO LOAN AGREEMENT**

2.1 Article 6 (Affirmative Covenants). Article 6 of the Loan Agreement is hereby amended by adding new Section 6.14 (Required Equity and Subordinated Debt) as follows:

Section 6.14 (Required Equity and Subordinated Debt). On or before December 23, 2015, provide Bank with evidence of receipt by any Borrower of no less than the sum of (a) \$5,000,000 in gross cash proceeds from an Equity Issuance by Canadian Borrower plus (b) \$5,000,000 in net cash proceeds from a draw under the Cyrus Credit Agreement.

2.2 Section 13.1 (Definitions). A new definition of “Equity Issuance” is hereby added to Section 13.1 of the Loan Agreement in the appropriate alphabetical order as follows:

“**Equity Issuance**” means, any issuance by any Borrower, any Guarantor or any Subsidiary to any Person of its equity interests, other than (a) any issuance of its equity interests pursuant to the exercise of options or warrants, (b) any issuance of its equity interests pursuant to the conversion of any debt securities to equity or the conversion of any class of equity securities to any other class of equity securities, and (c) any issuance of options or warrants relating to its equity interests.

LIMITATION. The amendments set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a forbearance, waiver or modification of any other term or condition of the loan agreement, the consent and waiver or of any other instrument or agreement referred to therein or to prejudice any right or remedy which Bank may now have or may have in the future under or in connection with the Loan Agreement or any instrument or agreement referred to therein; (b) to be a consent to any future amendment or modification, forbearance or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof; or (c) to limit or impair Bank’s right to demand strict performance of all terms and covenants as of any date. Except as expressly amended hereby, the Loan Agreement shall continue in full force and effect.

4 REPRESENTATIONS AND WARRANTIES. To induce Bank to enter into this Amendment, each Borrower hereby represents and warrants to Bank as follows:

4.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true, accurate and complete in all material respects as of such date), and (b) no Event of Default has occurred and is continuing;

4.2 The Borrowers have the power and authority to execute and deliver this Amendment and to perform their obligations under the Loan Agreement, as amended by this Amendment;

4.3 The organizational documents of the Borrowers delivered to Bank remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

4.4 The execution and delivery by the Borrowers of this Amendment and the performance by the Borrowers of their obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

4.5 The execution and delivery by the Borrowers of this Amendment and the performance by the Borrowers of their obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting any Borrower, (b) any contractual restriction with a Person binding on any Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on any Borrower, or (d) the organizational documents of any Borrower;

4.6 The execution and delivery by the Borrowers of this Amendment and the performance by the Borrowers of their obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on the Borrowers, except as already has been obtained or made or except for any filing, recording, or registration required by the Securities Exchange Act of 1934; and

4.7 This Amendment has been duly executed and delivered by the Borrowers and is the binding obligation of each Borrower, enforceable against each Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

5 **EFFECTIVENESS.** This Amendment shall become effective upon the satisfaction of all the following conditions precedent:

5.1 **Amendment.** The Borrowers shall have duly executed and delivered this Amendment to Bank;

5.2 **Payment of Bank Expenses.** The Borrowers shall have paid all Bank Expenses (including all reasonable attorneys' fees and reasonable expenses) incurred through the date of this Amendment.

6 **COUNTERPARTS.** This Amendment may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this amendment.

7 **LOAN DOCUMENT.** This Amendment is a Loan Document.

8 **INTEGRATION.** This Amendment and any documents executed in connection herewith or pursuant hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto and no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Amendment; except that any financing statements or other agreements or instruments filed by Bank with respect to the Borrowers shall remain in full force and effect.

9 **GOVERNING LAW; VENUE.** THIS AMENDMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. Each Borrower and Bank each submit to the exclusive jurisdiction of the state and federal courts in Santa Clara County, California

10 **RATIFICATION. EFFECTIVE.** As of the Effective Date, each Borrower and each Guarantor hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement and the other Loan Documents to which it is a party, in each case, as amended hereby.

11 **REAFFIRMATION.** Each of the undersigned Guarantors consent to the amendments to the Loan Agreement. Although the undersigned Guarantors have been informed of the matters set forth herein with respect to the Loan Agreement and have consented to the same, each Guarantor understands that Bank has no obligation to inform it of such matters in the future or seek its acknowledgement or agreement to future consents or amendments of the Loan Agreement and nothing herein shall create such a duty.

[Signature page follows.]

IN WITNESS WHEREOF, the undersigned has caused this Amendment to be duly executed and delivered as of the date first above written.

BORROWERS:

OVERLAND STORAGE, INC.,
a California corporation

By: /s/ Kurt Kalbfleisch

Name: Kurt Kalbfleisch

Title: Chief Financial Officer

TANDBERG DATA GMBH,
a limited liability company organized under the laws of Germany

By: /s/ Kurt Kalbfleisch

Name: Kurt Kalbfleisch

Title: Geschäftsführer

SPHERE 3D CORP.,
an Ontario corporation

By: /s/ Kurt Kalbfleisch

Name: Kurt Kalbfleisch

Title: Chief Financial Officer

GUARANTORS:

TANDBERG DATA HOLDINGS S.À R.L., a private limited liability company (société à responsabilité limitée) incorporated under the laws of the Grand Duchy of Luxembourg

By: /s/ Kurt Kalbfleisch

Name: Kurt Kalbfleisch

Title: Director

By:

Name:

Title:

SPHERE 3D INC.,
a corporation organized under the laws of Canada

By: /s/ Kurt Kalbfleisch
Name: Kurt Kalbfleisch
Title: Chief Financial Officer

FROSTCAT TECHNOLOGIES INC.,
a corporation organized under the laws of Canada

By: /s/ Kurt Kalbfleisch
Name: Kurt Kalbfleisch
Title: Chief Financial Officer

V3 SYSTEMS HOLDINGS, INC.,
a Delaware corporation

By: /s/ Kurt Kalbfleisch
Name: Kurt Kalbfleisch
Title: Chief Financial Officer

SILICON VALLEY BANK

By: /s/ Justin Mauch
Name: Justin Mauch Title: Vice President

**AMENDMENT NO. 4 AND LIMITED WAIVER TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

This AMENDMENT NO. 4 AND LIMITED WAIVER TO LOAN AND SECURITY AGREEMENT (this “**Amendment**”), is entered into as of February 26, 2016, by and among OVERLAND STORAGE, INC., a California corporation (“**US Borrower**”), TANDBERG DATA GMBH, a limited liability company organized under the laws of Germany (“**German Borrower**”), SPHERE 3D CORP., an Ontario corporation (formerly known as Sphere 3D Corporation) (“**Canadian Borrower**” and together with US Borrower and German Borrower, collectively, the “**Borrowers**”), the Guarantors signatory hereto and SILICON VALLEY BANK, a California corporation (“**Bank**”).

RECITALS

A. Bank and Borrowers have entered into to that certain Amended and Restated Loan and Security Agreement, dated as of March 19, 2014 (as amended, amended and restated, supplemented, restructured or otherwise modified, renewed or replaced from time to time, the “**Loan Agreement**”), pursuant to which Bank has extended and will make available to Borrowers certain advances of money;

B. Borrowers acknowledge that Borrowers are currently in default of the Loan Agreement for failing to comply with certain provisions of the Loan Agreement as set forth in Section 1 as of the time periods identified in Section 1 and such failure to comply constitutes an Event of Default (the “**Existing Default**”);

C. Borrowers desire that Bank (i) waive the Existing Default and (ii) amend the Loan Agreement upon the terms and conditions fully set forth herein; and

D. Subject to the representations and warranties of the Borrowers herein and upon the terms and conditions set forth in this Amendment, Bank is willing to provide the limited waiver contained herein and so amend the Loan Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

1 LIMITED WAIVER. The Existing Default has occurred as a result of Borrowers’ failure to maintain Adjusted EBITDA as required by Section 6.8(b) of the Loan Agreement of at least fifty percent (50%) of Borrowers’ projected performance for the fiscal quarter ended December 31, 2015, as outlined in Borrowers’ business plan dated June 5, 2015. Subject to the representations and warranties of the Borrowers and the terms and conditions set forth in this Amendment, Bank hereby waives the Existing Default.

2 DEFINED TERMS. All capitalized terms not defined herein shall have the respective meanings ascribed to such terms in the Loan Agreement.

3 AMENDMENTS TO LOAN AGREEMENT

3.1 Section 6.8(b) (Performance to Plan). Section 6.8(b) of the Loan Agreement is hereby amended and restated in its entirety as follows:

(b) **Performance to Plan.** As of the last date of each quarter, beginning with the quarter ending March 31, 2016, Borrowers shall maintain Adjusted EBITDA of at least fifty percent (50%) of Borrowers' projected performance for such quarter as outlined in Borrowers' business plan dated January 19, 2016.

3.2 Section 13.1 (Definitions). Each of the following definitions is hereby (a) to the extent already defined in Section 13.1 of the Loan Agreement, amended and restated in its entirety as follows and (b) to the extent not already defined in Section 13.1 of the Loan Agreement, added to Section 13.1 of the Loan Agreement in its appropriate alphabetical order as follows:

"Fee Letter" is that certain letter agreement dated as of March 10, 2016, between the Borrowers and Bank.

"Prime Rate Margin" is the spread set forth below applicable to each Borrower as determined by Borrowers' Net Cash:

<u>Net Cash</u>	<u>North American Borrowers Loan</u>	<u>German Borrower Loan Margin</u>
Greater than \$500,000.00	150 basis points	250 basis points
Less than or equal to \$500,000.00	175 basis points	275 basis points

"Revolving Line Maturity Date" is August 27, 2016.

3.3 Schedule A (List of Eligible Foreign Accounts). Schedule A to the Loan Agreement is hereby deleted in its entirety and replaced with Schedule A hereto.

4 LIMITATION. The limited waiver and amendments set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a forbearance, waiver or modification of any other term or condition of the loan agreement, the consent and waiver or of any other instrument or agreement referred to therein or to prejudice any right or remedy which Bank may now have or may have in the future under or in connection with the Loan Agreement or any instrument or agreement referred to therein other than with respect to the Existing Default; (b) to be a consent to any future amendment or modification, forbearance or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof; or (c) to limit or impair Bank's right to demand strict performance of all terms and covenants as of any date. Except as expressly amended hereby, the Loan Agreement and the limited waiver shall continue in full force and effect.

5 REPRESENTATIONS AND WARRANTIES. To induce Bank to enter into this Amendment, each Borrower hereby represents and warrants to Bank as follows:

5.1 Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true, accurate and complete in all material respects as of such date), and (b) no Event of Default has occurred and is continuing;

5.2 The Borrowers have the power and authority to execute and deliver this Amendment and to perform their obligations under the Loan Agreement, as amended by this Amendment;

5.3 The organizational documents of the Borrowers delivered to Bank remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

5.4 The execution and delivery by the Borrowers of this Amendment and the performance by the Borrowers of their obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

5.5 The execution and delivery by the Borrowers of this Amendment and the performance by the Borrowers of their obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting any Borrower, (b) any contractual restriction with a Person binding on any Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on any Borrower, or (d) the organizational documents of any Borrower;

5.6 The execution and delivery by the Borrowers of this Amendment and the performance by the Borrowers of their obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on the Borrowers, except as already has been obtained or made or except for any filing, recording, or registration required by the Securities Exchange Act of 1934; and

5.7 This Amendment has been duly executed and delivered by the Borrowers and is the binding obligation of each Borrower, enforceable against each Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

6 EFFECTIVENESS.

6.1 **Conditions to Effectiveness.** This Amendment shall become effective upon the satisfaction of the following conditions precedent in this Section 6.1 (the "**Fourth Amendment Effective Date**"):

(a) **Amendment.** The Borrowers shall have duly executed and delivered this Amendment to Bank; and

(b) **Payment of Bank Expenses.** The Borrowers shall have paid all Bank Expenses (including all reasonable attorneys' fees and reasonable expenses) incurred through the date of this Amendment.

6.2 **Post-Effectiveness Conditions.** Unless otherwise provided in a writing executed by Bank, Bank shall have received no later than March 10, 2016 ("**Fourth Amendment Fee Date**"):

(a) **Fee Letter.** The Borrowers and Bank shall have duly executed and delivered the Fee Letter to Bank; and

(b) **Payment of Amendment Fee.** The Borrowers shall have paid a fully, earned, non-refundable amendment fee as described in the Fee Letter on the Fourth Amendment Fee Date; provided that German Borrower shall only be obligated to pay Bank such fee (jointly and severally with the North American Borrowers) to the extent such payment does not infringe on Section 30 of the German Act on Limited Liability Companies (*GmbHG*).

7 **COUNTERPARTS.** This Amendment may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this amendment.

8 **LOAN DOCUMENT.** This Amendment is a Loan Document.

9 INTEGRATION. This Amendment and any documents executed in connection herewith or pursuant hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto and no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Amendment; except that any financing statements or other agreements or instruments filed by Bank with respect to the Borrowers shall remain in full force and effect.

10 GOVERNING LAW; VENUE. THIS AMENDMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. Each Borrower and Bank each submit to the exclusive jurisdiction of the state and federal courts in Santa Clara County, California

11 RATIFICATION. EFFECTIVE. As of the Effective Date, each Borrower and each Guarantor hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement and the other Loan Documents to which it is a party, in each case, as amended hereby.

12 REAFFIRMATION. Each of the undersigned Guarantors consent to the amendments to the Loan Agreement. Although the undersigned Guarantors have been informed of the matters set forth herein with respect to the Loan Agreement and have consented to the same, each Guarantor understands that Bank has no obligation to inform it of such matters in the future or seek its acknowledgement or agreement to future consents or amendments of the Loan Agreement and nothing herein shall create such a duty.

SIGNATURE PAGE TO
AMENDMENT NO. 4 AND LIMITED WAIVER TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

IN WITNESS WHEREOF, the undersigned has caused this Amendment to be duly executed and delivered as of the date first above written.

BORROWERS:

OVERLAND STORAGE, INC.,
a California corporation

By: /s/ Kurt Kalbfleisch

Name: Kurt Kalbfleisch

Title: Chief Financial Officer

TANDBERG DATA GMBH,
a limited liability company organized under the laws of Germany

By: /s/ Kurt Kalbfleisch

Name: Kurt Kalbfleisch

Title: Geschäftsführer

SPHERE 3D CORP.,
an Ontario corporation

By: /s/ Kurt Kalbfleisch

Name: Kurt Kalbfleisch

Title: Chief Financial Officer

GUARANTORS:

TANDBERG DATA HOLDINGS S.À R.L., a private limited liability company (société à responsabilité limitée) incorporated under the laws of the Grand Duchy of Luxembourg

By: /s/ Kurt Kalbfleisch

Name: Kurt Kalbfleisch

Title: Director

By: —

Name:

Title:

6

SPHERE 3D INC.,
a corporation organized under the laws of Canada

By: /s/ Kurt Kalbfleisch
Name: Kurt Kalbfleisch
Title: Chief Financial Officer
V3 SYSTEMS HOLDINGS, INC.,
a Delaware corporation

By: /s/ Kurt Kalbfleisch
Name: Kurt Kalbfleisch
Title: Chief Financial Officer

SILICON VALLEY BANK

By: /s/ Justin Mauch

President

Name: Justin Mauch Title: Vice

SCHEDULE A

List of Eligible Foreign Accounts

With respect to North American Borrowers

1. ADN Distribution GmbH (\$200,000 credit limit)
2. ArrowECS
3. Avnet
4. BE-IP France
5. Bull SA Etablissement D'Angers
6. Bull SA Global Logistics
7. CMS Peripherals LTD
8. Datastore AG
9. Dell Global Business Center SDN BHD
10. Dell Global BV
11. Dell Xiamen Co Ltd
12. Drive Control Corporation
13. Eld Datentechnik GmbH
14. Fujitsu
15. Hammer PLC
16. HP
17. Infodip
18. Ingram Micro, S.L. Spain
19. Memodis
20. RR Donnelley Europe SP Zoo
21. Stordata
22. Systex Corporation
23. Tech Data
24. TimAG
25. Westcon Group
26. Zycko UK (\$200,000 credit limit)

With respect to German Borrower

1. Ingram Micro, Dornach
2. Imation Corporation, Saint Pau
3. Ingram Micro- US & Canada, Mis
4. Tech Data Corporation, Clearwa
5. Tech Data Service GmbH, Wien
6. Tech Data FRANCE SAS, Bussy St
7. Hewlett Packard, Meyrin/geneva
8. ALSO Deutschland GmbH, Soest

9. Northamber plc, Surrey KT9 1HS
10. Tarox AG, Lünen
11. api Computerhandels GmbH, Aach
12. Micro P Ltd., Altham,Accringto
13. C/O Central Accounts Payable, European Trade Center
14. eld datentechnik GmbH, Fellbac
15. NEC Corporation of America, Sa
16. Pram Consulting Inc., Bradento
17. Hewlett-Packard, Singapore
18. Hammer PLC, Basingstoke/Hampsh
19. Products Distribution Limited
20. Gemm Informatica S.r.l., Calde
21. EET Europarts AS, Oslo
22. Computer Gross Italia S.P.A.,
23. Synnex Canada Limited, M9W 5Z9
24. BackupWorks.com.INC, Lake Fore
25. Alltron AG, Mägenwil
26. Fujitsu Technology Solutions,
27. Bluechip Computer AG, Meuselwi
28. M C S S.A.S, Strambino To
29. Starline Computer GmbH, Kirchh
30. Active Solution &, San Donat
31. CiS Electronica Industria e, 0
32. Synnex Corporation, Fremont, C
33. Axel s.r.l., Scarmagno (To)
34. CDW LLC, Vernon Hills, Il
35. Vitera Healthcare, Tampa, FL
36. ABC Data S.A., Warszawa
37. Hewlett-Packard Company, 00605
38. STORESYS Vertriebsges. für, Ha
39. IBM Corporation, Endicott, NY
40. Dexion-Digital Storage Inc., L
41. ARROW ECS Nederland, HZ Emmen
42. Alias srl, Udine
43. Wortmann AG, Hüllhorst
44. Arrow Central Europe GmbH, Neu
45. Littlebit Technology AG, Hünen
46. Dakel Informatica, S.A., Cerda
47. DOT.NET Ltd., Agualva-Cacem
48. SweDeltaco AB, Tullinge
49. div. Kunden Service, xxxx

50. PCE Paragon Solutions Ltd., Ko
51. Eksaip Srl, Vicenza
52. Products Distribution Limited
53. EET Group A/S, Birkerod
54. Veracomp S.A., Kraków
55. Synerway SAS, Nanterre
56. SM Data S.A., Montcada i Reix
57. Products Distribution Limited
58. Alliance Software SAS, Niort C
59. Alstor T.Szukala, Warszawa
60. Maxtec Peripherals Pty Ltd., B
61. Fujitsu Technology Solutions,
62. PCM Sales, Inc., El Segundo, C
63. Seneca Data Distributors, Inc.
64. div. Leih ENGLAND, xxxx
65. Tech Data Service GmbH, Wien
66. Lasting System S.R.L., Timisoa
67. SWS A.S., Slusovice
68. Action S.A., Warszawa
69. Zelinka d.o.o., Ljubljana
70. IBM Corporation, Carlisle
71. Avnet Technology Solutions, Ri
72. TV Tools Oy, Helsinki
73. IBM Corporation, Camp Hill
74. Dansk Computer Center A/S, Hin
75. div. Kunden Norwegen, xxxx
76. SIA ATEA, Riga
77. ETM professional control GmbH
78. IT Distribution GmbH, Büren
79. Performance Technologies S.A.
80. Asbisc Enterprises PLC., Lemes
81. M.G.T. Educational SRL, Bukare
82. div. Kd.Frankreich o.VAT, xxxx
83. IBM PDL Singapore Branch, Sing
84. Viglen Limited, Herfordshire A
85. IT Option ApS, Farum
86. MSB Mikrocomputer Software, Wi
87. Olprint Sp. z o.o., Wrocław
88. Platech Brasil Suprimentos, 23
89. Open G I Limited, Warndon, Wor
90. Sistemi Gestionali S.r.l., Via

91. div. Kunden USA, xxxx
92. Converge- Societa per Azioni,
93. Tcplus (Switzerland) GmbH, Gla
94. Hewlett-Packard International
95. Datastor TM, Longmont, CO 8050
96. Soubabere informatique S.A., C
97. Vali Computers Ltd., Veliko Ta
98. Utilize PLC, Essex RM3 8XB
99. Toshiba Electronics Europe, Dü
100. Media Storage Systems AB, Häge
101. div. Kunden, xxxx
102. Finstor Oy, Espoo
103. Xpert-IT bvba, Nijlen
104. Jack Wills Ltd., London NW10 6
105. EXTRA Computer GmbH, Giengen-S
106. Network Innovation NI AB, Nack
107. Promark Technology, Inc., Annap
108. Hewlett-Packard Company, CA 90
109. Netconnect S.A., Ilioupolis-At
110. SDP N.V., Sint-Niklaas

Representative's Warrant Agreement

THE REGISTERED HOLDER OF THIS PURCHASE WARRANT BY ITS ACCEPTANCE HEREOF, AGREES THAT IT WILL NOT SELL, TRANSFER OR ASSIGN THIS PURCHASE WARRANT EXCEPT AS HEREIN PROVIDED AND THE REGISTERED HOLDER OF THIS PURCHASE WARRANT AGREES THAT IT WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE OR HYPOTHECATE THIS PURCHASE WARRANT FOR A PERIOD OF ONE HUNDRED EIGHTY DAYS FOLLOWING THE EFFECTIVE DATE (DEFINED BELOW) TO ANYONE OTHER THAN (I) LADENBURG THALMANN & CO. INC. OR AN UNDERWRITER OR A SELECTED DEALER PARTICIPATING IN THE OFFERING, OR (II) A BONA FIDE OFFICER OR PARTNER OF LADENBURG THALMANN & CO. INC. OR OF ANY SUCH UNDERWRITER OR SELECTED DEALER.

THIS PURCHASE WARRANT IS NOT EXERCISABLE PRIOR TO MAY 28, 2016. VOID AFTER 5:00 P.M., EASTERN TIME, NOVEMBER 30, 2018.

COMMON SHARE PURCHASE WARRANT

For the Purchase of 88,463 Common Shares of

SPHERE 3D CORP.

1. Purchase Warrant. THIS CERTIFIES THAT, in consideration of funds duly paid by or on behalf of Ladenburg Thalmann & Co. Inc. ("**Holder**"), as registered owner of this Purchase Warrant, to Sphere 3D Corp., a corporation existing under the laws of the province of Ontario, Canada (the "**Company**"), Holder is entitled, at any time or from time to time from May 28, 2016 (the "**Commencement Date**"), and until at or before 5:00 p.m., Eastern time, November 30, 2018 (the "**Expiration Date**"), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to 88,463 common shares of the Company, no par value per share (the "**Shares**"), subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Purchase Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period commencing on the Effective Date and ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at \$2.06 per Share; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Warrant, including the exercise price per Share and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The term "**Exercise Price**" shall mean the initial exercise price or the adjusted exercise price, depending on the context. The term "**Effective Date**" shall mean November 30, 2015, the date of those certain subscription and purchase agreements, by and between the Company and certain investors party thereto (the "**Subscription Agreements**").

2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Shares being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check, unless Holder elects to receive Shares pursuant to the cashless exercise provisions of Section 2.2 below. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Purchase Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Cashless Exercise. Holder may elect to receive the number of Shares equal to the value of this Purchase Warrant (or the portion thereof being exercised), by surrender of this Purchase Warrant to the Company, together with the exercise form attached hereto, in which event the Company shall issue to Holder Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

- X = The number of Shares to be issued to Holder;
- Y = The number of Shares for which the Purchase Warrant is being exercised;
- A = The fair market value of one Share; and
- B = The Exercise Price.

For purposes of this Section 2.2, the fair market value of a Share is defined as follows:

- (i) if the Company's common share is traded on a securities exchange, the value shall be deemed to be the closing price on such exchange on the trading day prior to the exercise form being submitted in connection with the exercise of the Purchase Warrant; or
- (ii) if the Company's common share is actively traded over-the-counter, the value shall be deemed to be the closing bid price on the trading day prior to the exercise form being submitted in connection with the exercise of the Purchase Warrant; or
- (iii) if there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Company's Board of Directors.

2.3 Delivery of Shares. Upon exercise, the applicable number of Shares shall be delivered to the Holder within three (3) business days of the Company's receipt of the exercise form completed and payment of the applicable Exercise Price, if paid in cash.

2.4 Legend. Each certificate representing the Shares shall bear a legend as follows unless such securities have been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), in addition to any other legend that may be required under applicable securities laws:

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or applicable state law. Neither the securities nor any interest therein may be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from registration under the Securities Act and applicable state law which, in the opinion of counsel to the Company, is available."

3. Transfer.

3.1 General Restrictions. The Holder of this Purchase Warrant agrees by his, her or its acceptance hereof, that such Holder will not: (a) sell, transfer, assign, pledge or hypothecate this Purchase Warrant for a period of one hundred eighty (180) days following the Effective Date to anyone other than: (i) Ladenburg Thalmann & Co. Inc. ("**Ladenburg**") or an underwriter or a selected dealer participating in the offering contemplated by the Subscription Agreements (the "**Offering**"), or (ii) a bona fide officer or partner of Ladenburg or of any such underwriter or selected

dealer ((i) and (ii) collectively, “**Permitted Transferees**”), provided that, in each case (i) or (ii), such transfer shall be in accordance with FINRA Rules 5110(g)(1) and 5110(g)(2)(A)(ii), or (b) cause this Purchase Warrant or the securities issuable hereunder to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of this Purchase Warrant or the securities hereunder, except as provided for in FINRA Rule 5110(g)(2). On and after 180 days after the Effective Date, transfers of this Purchase Warrant to others may be made subject to compliance with or exemptions from applicable securities laws. In order to make any permitted assignment hereof, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with the Purchase Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall within three (3) business days transfer this Purchase Warrant on the books of the Company and shall execute and deliver a new Purchase Warrant or Purchase Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of Shares purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

3.2 Restrictions Imposed by the Securities Act. The securities evidenced by this Purchase Warrant, shall not be transferred unless and until: (i) the Company has received the opinion of counsel for the Holder that the securities may be transferred pursuant to an exemption from registration under the Securities Act and applicable state securities laws, the availability of which is established to the reasonable satisfaction of the Company (the Company hereby agreeing that the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. in a form reasonably acceptable to counsel to the Company shall be deemed satisfactory evidence of the availability of an exemption), or (ii) a registration statement relating to the offer and sale of the Shares has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission (the “**Commission**”) and compliance with applicable state securities law has been established.

4. “Piggy-Back” Registration.

4.1 Grant of Right. The Holder shall have the right, for a period beginning on the Effective Date and ending three years following the Effective Date to include all or any portion of the Shares underlying the Purchase Warrants (collectively, the “**Registrable Securities**”) as part of any other registration of securities filed by the Company (other than in connection with a transaction of the type contemplated by Rule 145(a) promulgated under the Securities Act or pursuant to Form S-8, F-4 or S-4 or any equivalent form); provided, however, that if, in connection with any primary underwritten public offering for the account of the Company, the managing underwriter(s) thereof shall, in its reasonable discretion, impose a limitation on the number of Shares which may be included in the Registration Statement because, in such underwriter(s)’ judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such Registration Statement only such limited portion of the Registrable Securities with respect to which the Holder requested inclusion hereunder as the underwriter shall reasonably permit. Any exclusion of Registrable Securities shall be made pro rata among the Holders seeking to include Registrable Securities in proportion to the number of Registrable Securities sought to be included by such Holders.

4.2 Terms. The Company shall bear all fees and expenses attendant to registering the Registrable Securities pursuant to Section 4.1 hereof, but the Holders shall pay any and all underwriting commissions and the expenses of any legal counsel selected by the Holders to represent them in connection with the sale of the Registrable Securities. In the event of such a proposed registration, the Company shall furnish the then Holders of outstanding Registrable Securities with not less than ten (10) days written notice prior to the proposed date of filing of such registration statement. Such notice to the Holders shall continue to be given for each registration statement filed by the Company until the earlier of such time as all of the Registrable Securities have been (i) sold by the Holder or (ii) registered under a Registration Statement. The holders of the Registrable Securities shall exercise the “piggy-back” rights provided for herein by giving written notice within seven (7) days of the receipt of the Company’s notice of its intention to file a registration statement. Except as otherwise provided in this Purchase Warrant, such registration rights shall terminate on the third anniversary of the Effective Date. Notwithstanding anything contained in this Purchase Warrant to the contrary, the Company shall have no obligation pursuant to Section 4 hereof to register the Registrable Securities held by a Holder, other than the initial Holder of this Purchase Warrant or any of its Permitted Transferees, where such Holder would then be entitled to sell this Purchase Warrant and the Shares under Rule 144 promulgated under the

Securities Act (or a successor rule thereto) without restriction (including, without limitation, volume restrictions) and without the need for current public information.

4.3 General Terms.

4.3.1 Indemnification. The Company shall indemnify the Holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and each person, if any, who controls such Holders within the meaning of Section 15 of the Securities Act or Section 20 (a) of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”), against all loss, claim, damage, expense or liability (including all reasonable attorneys’ fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Securities Act, the Exchange Act or otherwise, arising from such registration statement but only to the same extent and with the same effect as the provisions pursuant to which the Company has agreed to indemnify the purchasers of common shares and warrants in the Offering pursuant to the Subscription Agreements. The Holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company against all loss, claim, damage, expense or liability (including all reasonable attorneys’ fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Securities Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such Holders, or their successors or assigns, in writing, for specific inclusion in such registration statement to the same extent and with the same effect as the provisions contained in the Subscription Agreements pursuant to which purchasers of common shares and warrants in the Offering have thereby agreed to indemnify the Company and such persons.

4.3.2 Exercise of Purchase Warrants. Nothing contained in this Purchase Warrant shall be construed as requiring the Holder(s) to exercise their Purchase Warrants prior to or after the initial filing of any registration statement or the effectiveness thereof.

4.3.3 Documents Delivered. The Company shall furnish to each underwriter of any such offering, if any, a signed counterpart, addressed to underwriter, of: (i) an opinion of counsel to the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, an opinion dated the date of the closing under any underwriting agreement related thereto), and (ii) a “cold comfort” letter dated the effective date of such registration statement (and, if such registration statement includes an underwritten public offering, a letter dated the date of the closing under the underwriting agreement) signed by the independent registered public accounting firm which has issued a report on the Company’s financial statements included in such registration statement, in each case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of such accountants’ letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer’s counsel and in accountants’ letters delivered to underwriters in underwritten public offerings of securities. The Company shall also deliver promptly, if requested, to the managing underwriter, if any, copies of all correspondence between the Commission and the Company, and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement and permit each underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of FINRA.

4.3.4 Underwriting Agreement. The Company shall enter into an underwriting agreement with the managing underwriter(s), if any, selected by the Company, and if the underwriting agreement is solely for the Holders, the managing underwriter shall be reasonably satisfactory to any Holders whose Registrable Securities are being registered pursuant to this Section 4. Such agreement shall be reasonably satisfactory in form and substance to the Company, such managing underwriters, and if the underwriting agreement is solely for the Holders, the Holders, and shall contain such representations, warranties and covenants by the Company and such other terms as are customarily contained in agreements of that type used by the managing underwriter. Such Holders shall not be required to make any representations or warranties to or agreements with the Company or the underwriters except as they may relate to such Holders their Shares and their intended methods of distribution or are otherwise customary for Holders.

4.3.5 Documents to be Delivered by Holder(s). No Holder shall have the right to participate in any of the foregoing offerings unless such Holder(s) has in shall furnish to the Company a completed and executed questionnaire provided by the Company to the Holder(s), at least seven (7) days in advance, requesting information customarily sought of selling security holders.

4.3.6 Damages. Should the registration statement or the effectiveness thereof required by Sections 4.1 hereof be delayed by the Company or the Company otherwise fails to comply with such provisions, the Holder(s) shall, in addition to any other legal or other relief available to the Holder(s), be entitled to obtain specific performance or other equitable (including injunctive) relief against the threatened breach of such provisions or the continuation of any such breach, without the necessity of proving actual damages and without the necessity of posting bond or other security.

5. New Purchase Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay the Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereto, the Company shall cause to be delivered to the Holder without charge a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of Shares underlying the Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Share Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 6.1.3 below, the number of outstanding common shares of the Company is increased by a dividend payable in common shares or by a split up of common shares or other similar event, then, on the effective day thereof, the number of Shares purchasable hereunder shall be increased in proportion to such increase in outstanding common shares, and the Exercise Price shall be proportionately decreased.

6.1.2 Aggregation of Shares. If, after the date hereof, and subject to the provisions of Section 6.1.3 below, the number of outstanding common shares of the Company is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares purchasable hereunder shall be decreased in proportion to such decrease in outstanding common shares of the Company, and the Exercise Price shall be proportionately increased.

6.1.3 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding common shares of the Company other than a change covered by Section 6.1.1 or 6.1.2 hereof or that solely affects the par value of such Shares, or in the case of any share reconstruction or amalgamation or consolidation (or similar transaction) of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation (or similar transaction) in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding common shares of the Company), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the

exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation, or consolidation, (or similar transaction), or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2 and this Section 6.1.3. The provisions of this Section 6.1.3 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, or consolidations (or similar transaction), sales or other transfers.

6.1.4 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 6.1, and any Purchase Warrants issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Warrants initially issued. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the Commencement Date or the computation thereof.

6.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation (or similar transaction) of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation (or similar transaction) which does not result in any reclassification or change of the outstanding common shares of the Company), the corporation formed by such consolidation or share reconstruction or amalgamation (or similar transaction) shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares and other securities and property receivable upon such consolidation or share reconstruction or amalgamation (or similar transaction), by a holder of the number of Shares of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation (or similar transaction), sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section shall similarly apply to successive consolidations or share reconstructions or amalgamations (or similar transaction).

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of Shares or other securities, properties or rights.

7. Reservation and Listing. The Company shall at all times, if applicable, reserve and keep available out of its authorized common shares, solely for the purpose of issuance upon exercise of the Purchase Warrants, such number of Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Purchase Warrants and payment of the Exercise Price therefor (or upon cashless exercise, as the case may be), in accordance with the terms hereby, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. The Company further covenants and agrees that upon exercise of the Purchase Warrants and payment of the exercise price therefor, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. As long as the Purchase Warrants shall be outstanding, the Company shall use its commercially reasonable efforts to cause all Shares issuable upon exercise of the Purchase Warrants to be listed on The NASDAQ Global Market or any successor trading market (or, if applicable, on all national securities exchanges on which the Shares issued to the public in the Offering may then be quoted and/or listed).

8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall give written notice of such event at least five (5) business days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the shareholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be. Notwithstanding the foregoing, the Company shall deliver to each Holder a copy of each notice given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its common shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, (ii) the Company shall offer to all the holders of its common shares any additional shares in the capital of the Company or securities convertible into or exchangeable for shares in the capital of the Company, or any option, right or warrant to subscribe therefor, or (iii) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or share reconstruction or amalgamation (or similar transaction) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same and shall be certified as being true and accurate by the Company's Chief Executive Officer.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) if to the registered Holder of the Purchase Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to the following address or to such other address as the Company may designate by notice to the Holders:

If to the Holder:

Ladenburg Thalman & Co. Inc.
570 Lexington Avenue, 12th Floor
New York, NY 10022
Attention: Managing Director
Fax No.: (305) 572-4199

In each case with a copy (which shall not constitute notice) to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
Chrysler Center
666 Third Avenue
New York, New York 10017
Attention: Ivan K. Blumenthal, Esq.
Fax No: (212) 983-3115

If to the Company:

Sphere 3D Corp.
9112 Spectrum Center Boulevard
San Diego, California 92123
Attention: Chief Executive Officer
Fax No: (858) 495-4267

with a copy (which shall not constitute notice) to:

O'Melveny & Myers LLP
2765 Sand Hill Road
Menlo Park, California 94025
Attention: Paul L. Sieben, Esq.
Fax No: (650) 473-2601

9. Miscellaneous.

9.1 Amendments. The Company and Ladenburg may from time to time supplement or amend this Purchase Warrant without the approval of any of the Holders in order to cure any ambiguity, to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, or to make any other provisions in regard to matters or questions arising hereunder that the Company and Ladenburg may deem necessary or desirable and that the Company and Ladenburg deem shall not adversely affect the interest of the Holders. All other modifications or amendments shall require the written consent of and be signed by the party against whom enforcement of the modification or amendment is sought.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3 Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The choice of the law of the State of New York as the governing law of this Purchase Warrant is a valid choice of law under the laws of Canada and will be honored by courts in Canada; the Company has the power to submit, and has legally, validly, effectively and irrevocably submitted, to the personal jurisdiction of each New York State and United States Federal court sitting in The City of New York and the Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any final judgment for a fixed sum of money rendered by a New York court having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Company based upon this Purchase Warrant would be recognized and enforced by courts in Canada and the Province of Ontario, without re-examining the merits of the case. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered

or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its shareholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

9.7 Execution in Counterparts. This Purchase Warrant may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto. Such counterparts may be delivered by facsimile transmission or other electronic transmission.

9.8 Exchange Agreement. As a condition of the Holder's receipt and acceptance of this Purchase Warrant, Holder agrees that, at any time prior to the complete exercise of this Purchase Warrant by Holder, if the Company and Ladenburg enter into an agreement ("**Exchange Agreement**") pursuant to which they agree that all outstanding Purchase Warrants will be exchanged for securities or cash or a combination of both, then Holder shall agree to such exchange and become a party to the Exchange Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of the 15th day of January, 2016.

SPHERE 3D CORP.

By: /s/ Kurt Kalbfleisch

Name: Kurt Kalbfleisch

Title: Chief Financial Officer

[Form to be used to exercise Purchase Warrant]

Date: _____, 20____

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for _____ common shares, no par value per share (the “**Shares**”), of Sphere 3D Corp., a corporation existing under the laws of the province of Ontario, Canada (the “**Company**”), and hereby makes payment of \$____ (at the rate of \$____ per Share) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase ____ Shares of the Company under the Purchase Warrant for _____ Shares, as determined in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

- X = The number of Shares to be issued to Holder;
- Y = The number of Shares for which the Purchase Warrant is being exercised;
- A = The fair market value of one Share which is equal to \$____; and
- B = The Exercise Price which is equal to \$____ per share

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company and any disagreement with respect to the calculation shall be resolved by the Company in its sole discretion.

Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

Signature _____

Signature Guaranteed _____

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name: _____
(Print in Block Letters)

Address: _____

NOTICE: The signature to this form must correspond with the name as written upon the face of the Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

[Form to be used to assign Purchase Warrant]

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, _____ does hereby sell, assign and transfer unto the right to purchase common shares, no par value per share, of Sphere 3D Corp., a corporation existing under the laws of the province of Ontario, Canada (the "**Company**"), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: _____, 20__

Signature _____

Signature Guaranteed _____

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

WARRANT EXCHANGE AGREEMENT

WARRANT EXCHANGE AGREEMENT, dated as of March 25, 2016 (this "Agreement"), between SPHERE 3D CORP., an Ontario corporation (the "Company") and MacFarlane Family Ventures, LLC, a Delaware limited liability company (the "Holder").

WHEREAS, the Holder currently owns warrants (the "Existing Holder Warrants") to purchase up to, in aggregate, 3,031,249 common shares of the Company, no par value ("Common Shares") issued pursuant to (i) that certain Purchase Agreement, dated as of May 13, 2015, by and between the Company and the Holder, (ii) that certain Purchase Agreement, dated as of August 10, 2015, by and between the Company and the Holder, and (iii) that certain Subscription Agreement, dated as of September 22, 2015, by and between the Company and the Holder;

WHEREAS, the Holder desires to exchange, and the Company desires to allow the exchange (the "Exchange") of, all of the Existing Holder Warrants for new warrants (the "New Warrants" and together with this Agreement, the "Transaction Documents") entitling the Holder to purchase up to, in aggregate, 7,199,216 Common Shares (the "Warrant Shares" and together with the New Warrants, the "Securities"); and

WHEREAS, to effect the Exchange, the Holder will surrender the Existing Holder Warrants in exchange for New Warrants in a manner expected to be exempt from registration under United States securities laws pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended (the "1933 Act").

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Holder hereby agree as follows:

Article I
EXCHANGE

Section 1.1 Exchange. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, at the Closing (as defined below), (i) the Holder shall cause to be validly and irrevocably surrendered for exchange and cancellation the Existing Holder Warrants and (ii) the Company shall cause the New Warrants as set forth on Schedule I to be duly issued, executed, and delivered by the Company in substantially the form attached hereto as Exhibit A.

Section 1.2 Consideration. In exchange for each Existing Holder Warrant properly exchanged, the Holder will receive the New Warrants as set forth on Schedule I. The amount of New Warrants issued to the Holder for all Existing Holder Warrants exchanged by the Company will be rounded down, if necessary, to the nearest whole New Warrant. This rounded amount will be the number of New Warrants the Holder will receive, and no additional cash will be paid in lieu of any New Warrants not received as a result of such rounding down.

Section 1.3 Closing. The closing of the Exchange (the "Closing") shall take place at the offices of O'Melveny & Myers LLP, Two Embarcadero Center, 28th Floor,

San Francisco, California 94111 within three (3) business days of the execution and delivery of this Agreement by each of the parties hereto, provided that all of the conditions set forth in Article IV have been satisfied or waived, or at such time and place as the parties hereto shall agree.

Article II
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to, and agrees with, the Holder that:

(a) Each of the Company and its Subsidiaries (as defined below) is a corporation duly organized, validly existing and in good standing (where such concept exists) under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to carry on its business as now conducted and to own or lease its properties, in each case as described in the SEC Filings (as defined below). Each of the Company and its Subsidiaries is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property makes such qualification or leasing necessary unless the failure to so qualify has not had and could not reasonably be expected to have a Material Adverse Effect (as defined below). "Subsidiary" of any Person (as defined below) means another Person, an amount of the voting securities, other voting ownership or voting partnership interests of which

is sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which) is owned directly or indirectly by such first Person. “Person” means an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein. “Material Adverse Effect” means a material adverse effect on (i) the assets, liabilities, results of operations, condition (financial or otherwise), business or prospects of the Company and its Subsidiaries taken as a whole, or (ii) the ability of the Company to perform its obligations under the Transaction Documents.

(b) The Company has the corporate power and authority to enter into this Agreement and has taken all requisite action on its part, its officers, directors and shareholders necessary for (i) the authorization, execution and delivery of the Transaction Documents, (ii) the authorization of the performance of all obligations of the Company hereunder or thereunder, and (iii) the authorization, issuance (or reservation for issuance) and delivery of the Securities. The Transaction Documents constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors’ rights generally and to general equitable principles.

(c) The authorized capital of the Company consists of an unlimited number of Common Shares, as set forth in the SEC Filings and in the Articles of Amalgamation of the Company, as amended and as in effect as of the date of this Agreement (the “Articles of Amalgamation”). All of the issued and outstanding Common Shares have been duly authorized and validly issued and are fully paid, nonassessable and free of pre-emptive rights and were issued in full compliance with applicable provincial, state and federal securities law and any rights of third parties. Except as described in the SEC Filings or described in Schedule III, all of the issued and outstanding shares of capital stock of each Subsidiary have been duly authorized and validly issued and are fully paid, nonassessable and free of pre-emptive rights, were issued in full compliance with applicable provincial, state and federal securities law and any rights of third parties and are owned by the Company, beneficially and of record, subject to no lien, encumbrance or other adverse claim. Except as described in the SEC Filings, no Person is entitled to pre-emptive or similar statutory or contractual rights with respect to any securities of the Company. Except as described in the SEC Filings or described in Schedule III, there are no outstanding warrants, options, convertible securities or other rights, agreements or arrangements of any character under which the Company or any of its Subsidiaries is or may be obligated to issue any equity securities of any kind. Except as described or listed in the SEC Filings and except for the Registration Rights Agreement (the “Registration Rights Agreement”) entered into as of the date hereof by and between the Company and the Holder, there are no voting agreements, buy-sell agreements, option or right of first purchase agreements or other agreements of any kind among the Company and any of the securityholders of the Company

relating to the securities of the Company held by them. Except as described in the SEC Filings and except as provided in the Registration Rights Agreement, no Person has the right to require the Company to register any securities of the Company under the 1933 Act, whether on a demand basis or in connection with the registration of securities of the Company for its own account or for the account of any other Person.

Except as described in the SEC Filings, the issuance of the Securities hereunder will not obligate the Company to issue Common Shares or other securities to any other Person (other than the Holder) and will not result in the adjustment of the exercise, conversion, exchange or reset price of any outstanding security.

Except as described in the SEC Filings, the Company does not have outstanding shareholder purchase rights, a “poison pill” or any similar arrangement in effect giving any Person the right to purchase any equity interest in the Company upon the occurrence of certain events.

As of March 16, 2016 and prior to giving effect to the Transaction, there were (i) 45,910,563 Common Shares issued and outstanding, (ii) 8,844,225 Common Shares issuable upon exercise of outstanding warrants, (iii) 3,659,825 Common Shares issuable upon exercise of outstanding options and (iv) 5,376,572 outstanding restricted stock units.

(d) The New Warrants have been duly and validly authorized. Upon the due exercise of the New Warrants and full payment for the exercise price thereof, the New Warrant Shares will be validly issued, fully paid and non-assessable free and clear of all encumbrances and restrictions, except for restrictions on transfer set forth in the Transaction Documents or imposed by applicable securities laws. The Company has reserved a sufficient number of Common Shares for issuance upon the exercise of the New Warrants, free and clear of all encumbrances and restrictions, except for restrictions on transfer set forth in the Transaction Documents or imposed by applicable securities laws.

(e) The execution, delivery and performance by the Company of the Transaction Documents and the offer, issuance of the Securities require no consent of, action by or in respect of, or filing with, any Person, governmental body, agency, or official other than filings that have been made pursuant to applicable provincial and state securities laws and post-sale filings pursuant to applicable provincial, state and federal securities laws which the Company undertakes to file within the applicable time periods. Subject to the accuracy of the representations and warranties of each Holder set forth in Article III hereof, the Company has taken all action necessary to exempt (i) the issuance of the Securities, (ii) the issuance of the Warrant Shares upon due exercise of the New Warrants, (iii) the other transactions contemplated by the Transaction Documents from the provisions of any shareholder rights plan or other “poison pill” arrangement, any anti-takeover, business combination or control share law or statute binding on the Company or to which the

Company or any of its assets and properties may be subject and any provision of the Articles of Amalgamation or the Company's Bylaw No. 1, as amended and as in effect as of the date of this Agreement (the "Bylaws"), that is or could reasonably be expected to become applicable to the Holder as a result of the transactions contemplated hereby, including, without limitation, the issuance of the Securities and the ownership, disposition or voting of the Securities by the Holder or the exercise of any right granted to the Holder pursuant to this Agreement or the other Transaction Documents.

(f) The Company has made available to the Holder through the EDGAR system, true and complete copies of the Company's most recent Annual Report on Form 40-F for the fiscal year ended December 31, 2014 (as amended prior to the date hereof, the "40-F"), and all other reports filed or furnished by the Company pursuant to the 1933 Act and the Securities Exchange Act of 1934 (the "1934 Act") since July 7, 2014 (collectively, the "SEC Filings"). The SEC Filings are the only filings required of the Company pursuant to the 1933 Act and the 1934 Act for such period. The Company and its Subsidiaries are engaged in all material respects only in the business described in the SEC Filings and the SEC Filings contain a complete and accurate description in all material respects of the business of the Company and its Subsidiaries, taken as a whole.

(g) Since December 31, 2014, except as described in the SEC Filings, there has not been:

(i) any change in the consolidated assets, liabilities, financial condition or operating results of the Company from that reflected in the financial statements included in the Company's Form 6-K dated November 16, 2015, except for changes in the ordinary course of business which have not had and could not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate;

(ii) any declaration or payment of any dividend, or any authorization or payment of any distribution, on any of the capital stock of the Company, or any redemption or repurchase of any securities of the Company;

(iii) any material damage, destruction or loss, whether or not covered by insurance to any assets or properties of the Company or its Subsidiaries;

(iv) any waiver, not in the ordinary course of business, by the Company or any Subsidiary of a material right or of a material debt owed to it;

(v) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company or a Subsidiary, except in the ordinary course of business and which is not material to the assets, properties, financial condition, operating results or

business of the Company and its Subsidiaries taken as a whole (as such business is presently conducted and as it is proposed to be conducted);

(vi) any change or amendment to the Articles of Amalgamation (other than in connection with the transactions contemplated hereby) or Bylaws, or material change to any material contract or arrangement by which the Company or any Subsidiary is bound or to which any of their respective assets or properties is subject;

(vii) any material labor difficulties or labor union organizing activities with respect to employees of the Company or any Subsidiary;

(viii) any material transaction entered into by the Company or a Subsidiary other than in the ordinary course of business;

(ix) the loss of the services of any key employee, or material change in the composition or duties of the senior management of the Company or any Subsidiary;

(x) the loss or, to the Company's Knowledge, threatened loss of any customer which has had or could reasonably be expected to have a Material Adverse Effect ("Company's Knowledge" means the actual knowledge of the executive officers (as defined in Rule 405 under the 1933 Act) of the Company, after due inquiry); or

(xi) any other event or condition of any character that has had or could reasonably be expected to have a Material Adverse Effect.

(h) (i) At the time of filing thereof, the SEC Filings complied as to form in all material respects with the requirements of the 1934 Act and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. (ii) The Company meets the issuer eligibility requirements of General Instruction I.A of Form F-3 to register the Registrable Securities (as such term is defined in the Registration Rights Agreement) for sale by the Holders as contemplated by the Registration Rights Agreement.

(i) The execution, delivery and performance of the Transaction Documents by the Company and the issuance of the Securities will not (i) conflict with or result in a breach or violation of (a) any of the terms and provisions of, or constitute a default under the Articles of Amalgamation or the Bylaws (true and complete copies of which have been made available to the Holder through the EDGAR system), or (b) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company, any Subsidiary or any of their respective assets or properties, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of

any lien, encumbrance or other adverse claim upon any of the properties or assets of the Company or any Subsidiary or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any Material Contract (as defined below), except in the case of clauses (i)(b) and (ii) above, such as could not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate. "Material Contract" means any contract, instrument or other agreement to which the Company or any Subsidiary is a party or by which it is bound which has been listed on Schedule II.

(j) The Company and each Subsidiary has prepared and filed (or filed applicable extensions therefore) all tax returns required to have been filed by the Company or such Subsidiary with all appropriate governmental agencies and paid all taxes shown thereon or otherwise owed by it, other than any such taxes which the Company or any Subsidiary are contesting in good faith and for which adequate reserves have been provided and reflected in the Company's financial statements included in the SEC Filings. The charges, accruals and reserves on the books of the Company in respect of taxes for all fiscal periods are adequate in all material respects, and there are no material unpaid assessments against the Company or any Subsidiary nor, to the Company's Knowledge, any basis for the assessment of any additional taxes, penalties or interest for any fiscal period or audits by any federal, state or local taxing authority except for any assessment which is not material to the Company and its Subsidiaries, taken as a whole. All taxes and other assessments and levies that the Company or any Subsidiary is required to withhold or to collect for payment have been duly withheld and collected and paid to the proper governmental entity or third party when due, other than any such taxes which the Company or any Subsidiary are contesting in good faith and for which adequate reserves have been provided and reflected in the Company's financial statements included in the SEC Filings. There are no tax liens or claims pending or, to the Company's Knowledge, threatened in writing against the Company or any Subsidiary or any of their respective assets or property. Except as described in the SEC Filings, there are no outstanding tax sharing agreements or other such arrangements between the Company and any Subsidiary or other corporation or entity.

(k) Except as disclosed in the SEC Filings, the Company and each Subsidiary has good and marketable title to all real properties and all other properties and assets (excluding Intellectual Property assets which are the subject of Article II, Section (n)) owned by it, in each case free from liens, encumbrances and defects that would materially affect the value thereof or materially interfere with the use made or currently planned to be made thereof by them; and except as disclosed in the SEC Filings, the Company and each Subsidiary holds any leased real or personal property under valid and enforceable leases with no exceptions that would materially interfere with the use made or currently planned to be made thereof by them. "Intellectual Property:" means all of the following: (i) patents, patent applications, patent disclosures and inventions (whether or not patentable and whether or not reduced to practice); (ii) trademarks, service marks, trade dress, trade names, corporate names, logos, slogans and Internet domain names, together with all goodwill associated

with each of the foregoing; (iii) copyrights and copyrightable works; (iv) registrations, applications and renewals for any of the foregoing; and (v) proprietary computer software (including but not limited to data, data bases and documentation).

(l) The Company and each Subsidiary possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by it, except to the extent failure to possess such certificates, authorities or permits could not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate, and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Company or such Subsidiary, could reasonably be expected to have a Material Adverse Effect, individually or in the aggregate.

(m) Labor Matters.

(i) Except as set forth in the SEC Filings, the Company is not a party to or bound by any collective bargaining agreements or other agreements with labor organizations. The Company has not violated in any material respect any laws, regulations, orders or contract terms, affecting the collective bargaining rights of employees, labor organizations or any laws, regulations or orders affecting employment discrimination, equal opportunity employment, or employees' health, safety, welfare, wages and hours.

(ii) (a) There are no labor complaint, grievance, disputes or arbitration existing, or to the Company's Knowledge, threatened, involving strikes, slow-downs, work stoppages, job actions, disputes, lockouts or any other disruptions of or by the Company's employees, (b) there are no unfair labor practices or petitions for election pending or, to the Company's Knowledge, threatened before the Ontario Labour Relations Board, the National Labor Relations Board or any other federal, provincial, state or local labor commission or tribunal relating to the Company's employees, (c) no demand for recognition or certification heretofore made by any labor organization or group of employees is pending with respect to the Company and (d) to the Company's Knowledge, the Company enjoys good labor and employee relations with its employees and labor organizations.

(iii) The Company is, and at all times has been, in compliance with all applicable laws respecting employment (including laws relating to classification of employees and independent contractors) and employment practices, terms and conditions of employment, wages and hours, and immigration and naturalization, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate. There are no claims pending against the Company before the Human Rights Code, the Equal Employment Opportunity Commission or any other administrative body

or in any court asserting any violation of the Human Rights Code, Title VII of the Civil Rights Act of 1964, the Age Discrimination Act of 1967, 42 U.S.C. §§ 1981 or 1983 or any other federal, provincial, state or local Law, statute or ordinance barring discrimination in employment.

(iv) To the Company's Knowledge, the Company has no liability for the improper classification by the Company of its employees as independent contractors or leased employees prior to the Closing.

(n) The Company and the Subsidiaries own, or have obtained valid and enforceable licenses for, or other rights to use, the Intellectual Property necessary for the conduct of the business of the Company and the Subsidiaries as currently conducted and as described in the SEC Filings as being owned or licensed by them, except where the failure to own, license or have such rights could not reasonably be expected to result in a Material Adverse Effect, individually or in the aggregate. Except as described in the SEC Filings, (i) to the Company's Knowledge, there are no third parties who have or will be able to establish rights to any Intellectual Property, except for the ownership rights of the owners of the Intellectual Property which is licensed to the Company as described in the SEC Filings or where such rights could not reasonably be expected to result in a Material Adverse Effect, individually or in the aggregate, (ii) there is no pending or, to the Company's Knowledge, threat of any, action, suit, proceeding or claim by others challenging the Company's or any Subsidiary's rights in or to, or the validity, enforceability, or scope of, any Intellectual Property owned by or licensed to the Company or any Subsidiary or claiming that the use of any Intellectual Property by the Company or any Subsidiary in their respective businesses as currently conducted infringes, violates or otherwise conflicts with the intellectual property rights of any third party, and (iii) to the Company's Knowledge, the use by the Company or any Subsidiary of any Intellectual Property by the Company or any Subsidiary in their respective businesses as currently conducted does not infringe, violate or otherwise conflict with the intellectual property rights of any third party.

(o) To the Company's Knowledge, neither the Company nor any Subsidiary is in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "Environmental Laws"), owns or operates any real property contaminated with any substance that is subject to any Environmental Laws, is liable for any off-site disposal or contamination pursuant to any Environmental Laws, or is subject to any claim relating to any Environmental Laws, which violation, contamination, liability or claim has had or could reasonably be expected to have a Material Adverse Effect, individually or in the aggregate; and there is no pending or, to the Company's Knowledge, threatened investigation that might lead to such a claim.

(p) There are no pending actions, suits or proceedings against or affecting the Company, its Subsidiaries or any of its or their properties; and to the Company's Knowledge, no such actions, suits or proceedings are threatened, except (i) as described in the SEC Filings or (ii) any such proceeding, which if resolved adversely to the Company or any Subsidiary, could not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or since January 1, 2014 has been the subject of any action involving a claim of violation of or liability under federal, provincial, or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the Company's Knowledge, there is not pending or contemplated, any investigation by the Ontario Securities Commission (or any other Canadian securities regulatory authority) or SEC involving the Company or any current or former director or officer of the Company. The SEC has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the 1933 Act or the 1934 Act.

(q) The financial statements included in each SEC Filing comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing (or to the extent corrected by a subsequent restatement) and present fairly, in all material respects, the consolidated financial position of the Company as of the dates shown and its consolidated results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with United States generally accepted accounting principles applied on a consistent basis ("GAAP") (except as may be disclosed therein or in the notes thereto). Except as set forth in the SEC Filings filed prior to the date hereof, neither the Company nor any of its Subsidiaries has incurred any liabilities, contingent or otherwise, except those incurred in the ordinary course of business, consistent (as to amount and nature) with past practices since the date of such financial statements, none of which, individually or in the aggregate, have had or could reasonably be expected to have a Material Adverse Effect.

(r) The Company and each Subsidiary maintain in full force and effect insurance coverage that is customary for comparably situated companies for the business being conducted and properties owned or leased by the Company and each Subsidiary.

(s) Except as disclosed in the SEC Filings, (i) the Company is in compliance with applicable Nasdaq continued listing requirements, (ii) there are no proceedings pending or, to the Company's Knowledge, threatened against the Company relating to the continued listing of the Common Shares on Nasdaq, and (iii) the Company has not received any currently pending notice of the delisting of the Common Shares from Nasdaq.

(t) No Person, including, without limitation, Holder or any current holder of Common Shares, will have, as a result of the transactions contemplated by the Transaction Documents, any valid right, interest or claim against or upon the Company, any Subsidiary or Holder for any

commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of the Company.

(u) Neither the Company nor any Person acting on its behalf has conducted any general solicitation or general advertising (as those terms are used in Regulation D, as promulgated by the U.S. Securities and Exchange Commission under the 1933 Act) in connection with the offer or issuance of any of the Securities.

(v) Assuming the accuracy of the Holder's representations and warranties set forth in Article III hereof, neither the Company nor any of its Affiliates (as defined below), nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any Company security or solicited any offers to buy any security, which are or will be integrated with this offering of the Securities hereunder in a manner that would adversely affect reliance by the Company on Section 3(a)(9) for the exemption from registration for the transactions contemplated hereby or would require registration of the Securities under the 1933 Act. "Affiliate" means, with respect to any Person, any other Person which directly or indirectly through one or more intermediaries Controls, is controlled by, or is under common control with, such Person. "Control" (including the terms "controlling", "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

(w) Assuming the accuracy of the Holder's representations and warranties set forth in Article III hereof, the offer and issuance of the Securities to the Holders as contemplated hereby is exempt from the registration requirements of the 1933 Act.

(x) Neither the Company nor any of its Subsidiaries nor, to the Company's Knowledge, any of their respective current or former shareholders, directors, officers, employees, agents or other Persons acting on behalf of the Company or any Subsidiary, has, on behalf of the Company or any Subsidiary or in connection with their respective businesses, (i) used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) made any direct or indirect unlawful payments to any governmental officials or employees from corporate funds, (iii) established or maintained any unlawful or unrecorded fund of corporate monies or other assets, (iv) made any false or fictitious entries on the books and records of the Company or any Subsidiary, or (v) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment of any nature.

(y) Except as disclosed in the SEC Filings and except as would not be required to be disclosed in the SEC Filings, none of the officers or directors of the Company and, to the Company's Knowledge, none of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than as holders of stock options and/or warrants, and for services

as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the Company's Knowledge, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

(z) The Company is in material compliance with the provisions of the Sarbanes-Oxley Act of 2002 currently applicable to the Company. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in 1934 Act Rules 13a-15(e) and 15d-15(e)) for the Company and designed such disclosure controls and procedures to ensure that material information relating to the Company, including the Subsidiaries, is made known to the certifying officers by others within those entities, particularly during the period in which the Company's most recently filed periodic report under the 1934 Act, as the case may be, is being prepared. The Company's certifying officers have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by the most recently filed periodic report under the 1934 Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the 1934 Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in the Company's internal controls (as such term is defined in Item 308 of Regulation S-K) or, to the Company's Knowledge, in other factors that could significantly affect the Company's internal controls. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP and the applicable requirements of the 1934 Act.

(aa) The Company is not required to be registered as, and is not an Affiliate of, and immediately following the Closing will not be required to register as, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(bb) The Holder acknowledges and agrees that the Company has not made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in this Article II. The Holder further acknowledges and agrees that neither the Company nor any other Person has made any representation or warranty, expressed or implied, as to the accuracy or completeness of any information received by the Holder which constitutes or

may be deemed to constitute a projection, estimate or other forecast and certain business plan information, except that such information was prepared in good faith and based upon assumptions that the Company believes to have been reasonable at the time such information, if any, was provided to the Holder.

Article III

REPRESENTATIONS AND WARRANTIES OF THE HOLDER

The Holder represents and warrants to, and agrees with, the Company that:

(a) The Holder has been duly organized and is in good standing under the laws of the jurisdiction of its organization, with company power and authority to execute, deliver and perform the terms of this Agreement and to consummate the Exchange and has taken all necessary company action to authorize the execution, delivery and performance of this Agreement.

(b) This Agreement has been duly and validly executed and delivered by the Holder and constitutes the legal, valid and binding obligation of the Holder, enforceable against the Holder in accordance with its terms, subject to bankruptcy, insolvency or other similar laws of general application affecting creditors' rights and general principles of equity.

(c) All consents, approvals, orders and authorizations required on the part of the Holder in connection with the execution, delivery or performance of each Transaction Document and the consummation of the transactions contemplated hereby and thereby have been obtained and are effective as of the date hereof.

(d) The Securities to be received by the Holder hereunder will be acquired for such Holder's own account, not as nominee, trustee, representative or agent, and not with a view to the resale or distribution of any part thereof in violation of the 1933 Act, and such Holder has no present intention of selling, granting any participation in, or otherwise distributing the same and has no arrangement or understanding with any other Persons regarding the distribution of such Securities in violation of the 1933 Act or any applicable federal, provincial or state securities law without prejudice, however, to such Holder's right at all times to sell or otherwise dispose of all or any part of such Securities in compliance with applicable federal, provincial and state securities laws. Such Holder is acquiring the Securities hereunder in the ordinary course of its business. Nothing contained herein shall be deemed a representation or warranty by such Holder to hold the Securities for any period of time. Such Holder is not a broker-dealer registered with the SEC under the 1934 Act or an entity engaged in a business that would require it to be so registered.

(e) Neither the execution and delivery by the Holder of this Agreement, the compliance by the Holder with the terms and conditions hereof, nor the consummation by the Holder of the

transactions contemplated hereby will (i) violate, result in a breach of, or constitute a default under its constitutional or other governing documents, if any, (ii) violate, result in a breach of, or constitute a default under (with or without notice or lapse of time, or both), in each case in any material respect, any agreement, instrument, judgment, order or decree to which the Holder is a party or is otherwise bound or give to others any material rights or interests (including rights of purchase, termination, cancellation or acceleration) under any such agreement or instrument or (iii) conflict with or violate in any material respect any applicable laws, except in the case of clauses (i)(b), (ii) and (iii) above, such as would not reasonably be expected to have a Holder Material Adverse Effect, individually or in the aggregate. "Holder Material Adverse Effect" means a material adverse effect on (i) the assets, liabilities, results of operations, condition (financial or otherwise), business or prospects of the Holder and its Subsidiaries taken as a whole, or (ii) the ability of the Holder to perform its obligations under the Transaction Documents. The execution, delivery and performance of this Agreement by the Holder and the consummation of the transactions contemplated hereby do not and will not require any permit of, or filing with or notification to, any Governmental Entity except (i), as applicable, requirements under the 1934 Act and the rules and regulations promulgated thereunder or (ii) for any such permit, filing or notification the failure to obtain or make would not reasonably be expected to have a Holder Material Adverse Effect. "Governmental Entity" means, in any jurisdiction, any (i) federal, state, local, foreign or international government; (ii) court, arbitral or other tribunal; (iii) governmental or quasi-governmental authority of any nature (including any political subdivision, instrumentality, branch, department, official or entity); or (iv) agency, commission, authority or body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

(f) The Holder and/or its affiliates are the lawful owners of record and beneficially of the Existing Holder Warrants listed next to its name on Schedule I, and have good and marketable title to the Existing Holder Warrants, free and clear of any encumbrances, except for encumbrances created by this Agreement. There are no contracts or other agreements between or among the Holder and any other person that would conflict with, restrict or prohibit the Holder's ability to exchange the Existing Holder Warrants as described herein.

(g) Such Holder acknowledges that it can bear the economic risk and complete loss of its investment in the Securities and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment contemplated hereby.

(h) Such Holder has had an opportunity to receive all information related to the Company requested by it and to ask questions of and receive answers from the Company regarding the Company, its business and the terms and conditions of the offering of the Securities. Such Holder acknowledges receipt of copies of the SEC Filings. Neither such inquiries nor any other due diligence investigation conducted by such Holder shall modify, limit or otherwise affect such Holder's right to rely on the Company's representations and warranties contained in this Agreement.

(i) Such Holder understands that the Securities are characterized as “restricted securities” under the U.S. federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the 1933 Act only in certain limited circumstances.

(j) It is understood that, except as provided below, certificates evidencing the Securities and any record of a book entry or electronic issuance evidencing the Securities may bear the following or any similar legend:

(a) “THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE TRANSFERRED UNLESS (I) SUCH SECURITIES HAVE BEEN REGISTERED FOR SALE PURSUANT TO THE SECURITIES ACT, (II) SUCH SECURITIES MAY BE SOLD PURSUANT TO RULE 144, OR (III) THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL TO THE TRANSFEROR, THE SUBSTANCE OF WHICH OPINION SHALL BE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT.”

(b) If required by the authorities of any state in connection with the issuance of the Securities, the legend required by such state authority, including the legend set forth in Article III, Section (k).

(k) It is understood that the physical certificates representing the Securities (and any replacement certificate issued prior to the expiration of the applicable hold periods), if any, will bear a legend in accordance with Canadian Securities Laws in substantially the following form and, in the event that no physical certificates are issued, the below constitutes written notice of the legend restriction under applicable Canadian Securities Laws:

“UNLESS PERMITTED UNDER APPLICABLE SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY TO OR FOR THE BENEFIT OF A CANADIAN PURCHASER UNTIL THE DATE THAT IS FOUR MONTHS AND A DAY AFTER MARCH 25, 2016.

“Canadian Securities Laws” means the securities laws, regulations and rules, and the blanket rulings, policies and written interpretations of and multilateral or national instruments adopted by the securities regulators in each of the provinces and territories of Canada.

(l) The Holder is an accredited investor as defined in Rule 501(a) of Regulation D, as amended, under the 1933 Act. Such Investor was not organized for the specific purpose of acquiring the Securities and is not required to be registered as a broker-dealer under Section 15 of the 1934 Act.

(m) Such Holder did not learn of the investment in the Securities as a result of any general solicitation or general advertising.

(n) No Person will have, as a result of the transactions contemplated by the Transaction Documents, any valid right, interest or claim against or upon the Company, any Subsidiary or an Holder for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of such Investor.

(o) Since the such time as such Holder was first contacted by the Company or any other Person acting on behalf of the Company regarding the transactions contemplated hereby through the public announcement of such transactons, neither such Holder nor any Affiliate of such Holder which (a) had knowledge of the transactions contemplated hereby, (b) has or shares discretion relating to such Holder's investments or trading or information concerning such Holder's investments, including in respect of the Securities, or (c) is subject to such Holder's review or input concerning such Affiliate's investments or trading (collectively, "Trading Affiliates") has, directly or indirectly, effected or agreed to effect, or will directly or indirectly effect, any short sale, whether or not against the box, established any "put equivalent position" (as defined in Rule 16a-1(h) under the 1934 Act) with respect to the Common Shares, granted any other right (including, without limitation, any put or call option) with respect to the Common Shares or with respect to any security that includes, relates to or derived any significant part of its value from the Common Shares or otherwise sought to hedge its position in the Securities (each, a "Prohibited Transaction"). Such Holder acknowledges that the representations, warranties and covenants contained in this Article III, Section (m) are being made for the benefit of the Holder as well as the Company.

The Company acknowledges and agrees that the Holder has not made any representations or warranties with respect to the transactions contemplated by the Transaction Documents other than those specifically set forth in this Article III.

Article IV

CONDITIONS TO CLOSING

Section 4.1 Conditions to the Obligations of the Company. The obligations of the Company to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or before the Closing, of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of the Holder set forth in this Agreement that are qualified as to materiality shall be true and correct in all respects, and those that are not so qualified shall be true and correct in all material respects, on and as of the date hereof and on and as of the Closing as though made on and as of the Closing, other than for such failures to be true and correct, that individually and in the aggregate, would not reasonably be expected to have a material adverse effect on the Holder's ability to perform its obligations under this Agreement.

(b) Performance of Agreements. The Holder shall have performed and complied in all material respects with each agreement and obligation required by this Agreement to be performed or complied with by the Holder on or prior to the Closing.

(c) Closing Deliveries. The Holder shall have made the deliveries required to be made by it under Section 1.1.

Section 4.2 Conditions to the Obligations of the Holder. The obligations of the Holder to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or before the Closing, of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of the Company set forth in this Agreement that are qualified as to materiality shall be true and correct in all respects, and those that are not so qualified shall be true and correct in all material respects, on and as of the date hereof and on and as of the Closing as though made on and as of the Closing, other than for such failures to be true and correct, that individually and in the aggregate, would not reasonably be expected to have a material adverse effect on the Company's ability to perform its obligations under this Agreement.

(b) Performance of Agreements. The Company shall have performed and complied in all material respects with each agreement and obligation required by this Agreement to be performed or complied with by the Company on or prior to the Closing.

(c) Closing Deliveries. The Company shall have made the deliveries or registrations, as applicable, required to be made by it under Section 1.1.

Article V
SURVIVAL

Section 5.1 Survival. The representations, warranties, covenants and agreements contained in this Agreement shall survive the Closing of the transactions contemplated by this Agreement until the expiration of the applicable statute of limitations.

Article VI
GENERAL

Section 6.1 Entire Agreement. This Agreement contains all of the agreements, covenants, terms, conditions and representations and warranties agreed upon by the parties relating to the subject matter hereof and supersedes all prior and contemporaneous agreements, negotiations, correspondence, undertakings, representations, warranties and communications of any kind between the parties and their representatives, whether oral or written, respecting such subject matter.

Section 6.2 Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective legal representatives, successors and assigns; *provided*, that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of each other party hereto.

Section 6.3 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to principles of conflicts of laws.

Section 6.4 Counterparts; Effectiveness. This Agreement may be executed and delivered (including by electronic or facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

Section 6.5 Severability. If a court of competent jurisdiction rules that any provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, the parties agree that this Agreement shall be considered severable and divisible, and a reviewing court shall have the authority to amend or “blue pencil” this Agreement so as to make it fully valid and enforceable.

Section 6.6 Expenses. All fees and expenses incurred in connection with the transactions contemplated hereby shall be the responsibility of the respective party incurring such fees and expenses.

Section 6.7 Notices. All notices and other communications provided for or permitted hereunder shall be in writing and shall be made by (a) United States registered or certified mail (return receipt requested), postage prepaid, in an envelope properly sealed, (b) a facsimile transmission where written acknowledgment of receipt of such transmission is received and a copy of the transmission is mailed with postage prepaid or (c) a nationally recognized overnight delivery service, in each case as follows:

(a) if to the Company:

Sphere 3D Corp.
9112 Spectrum Center Boulevard
San Diego, CA, 92123
Attention: Chief Financial Officer

with a copy (which shall not constitute notice) to:

O'Melveny & Myers LLP
Two Embarcadero Center, 28th Floor
San Francisco, California 94111
Attention: Paul Sieben, Esq.
Eric C. Sibbitt, Esq.

(b) if to the Holder, to the address under the Holder's name on the signature pages hereto.

Section 6.8 Remedies; Limitations.

(a) The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, in addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, the Company, on the one hand, and the Holder, on the other hand, will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement. The parties agree to waive in any action for specific performance of any such obligation (other than in connection with any action for a temporary restraining order) the defense that a remedy at law would be adequate.

(b) The sole and exclusive remedy for breaches of representations and warranties set forth herein shall be the respective right to refuse to consummate one or more transactions contemplated herein, as applicable, in accordance with and subject to the conditions precedent set forth herein.

(c) Notwithstanding anything to the contrary herein, in any action, suit, claim or other proceeding hereunder or otherwise in connection with the transactions contemplated hereby, whether pursuant to claims under contract, tort, indemnification or any other theory, no party shall seek or be entitled to, and each party hereby knowingly and expressly disclaims the right to assert or receive, damages other than direct damages. In furtherance of the foregoing, the parties expressly disclaim, and shall not be entitled to recover, any indirect, incidental, special, exemplary, punitive or consequential damages or any damages measured by or based on diminution of value, lost profits, a multiple of earnings and/or future value of the New Warrants.

* * * * *

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

SPHERE 3D CORP.

By: /s/ Eric L. Kelly

Name: Eric L. Kelly

Title: Chief Executive Officer

MACFARLANE FAMILY VENTURES, LLC

By: /s/ Victor B. MacFarlane
Name: Victor B. MacFarlane
Title: Manager

Address:

201 Spear Street, 14th Floor
San Francisco, CA 94105

SCHEDULE I

Holder	Aggregate Amount of Existing Holder Warrants to be Exchanged	Exchange Consideration (per Existing Holder Warrant Exchanged)	Aggregate Amount of New Warrants to be Issued (Rounded down to nearest whole New Warrant)
MacFarlane Family Ventures, LLC	3,031,249	2.375x Warrants	7,199,216

SCHEDULE II

The following agreements are listed for disclosure purposes only. No implication should be drawn that any information provided herein is necessarily material or otherwise required to be disclosed, or that the inclusion of such information establishes or implies a standard of materiality or any other standard for disclosure.

- Voting Agreements each dated July 15, 2013 between Eric L. Kelly and various shareholders of the Company.
- Board Nomination Right Agreement dated July 15, 2013 between Eric L. Kelly and the Company.
- Special Warrant Indenture dated June 5, 2014 between the Company and Equity Financial Trust Company.
- Convertible Debenture dated December 1, 2014 between the Company and FBC Holdings S.A.R.L. for \$19.5 million.
- Escrow Agreement dated December 1, 2014 between the Company and Continental Stock Transfer and Trust Company.
- Revolving Credit Agreement dated December 30, 2014 between the Company, Overland Storage, Inc. and FBC Holdings S.A.R.L.
- Amended and Restated Loan and Security Agreement dated December 31, 2014 between Overland, Tandberg Data GmbH, Sphere 3D, and Silicon Valley Bank
- Warrants issued to FBC Holdings S.a r.l., dated various dates between February 19, 2015 and February 26, 2016, for the purchase of up to, in aggregate, 1,300,000 common shares
- Purchase Agreements by and between the Company and various investors party thereto, dated various dates between May 13, 2015 and May 28, 2015, pursuant to which the Company agreed to issue 1,621,250 common shares of the Company and warrants to purchase up to 1,621,250 common shares (the “May/June 2015 Private Placement”)
- Warrants issued to various investors pursuant to the May/June 2015 Private Placement
- Registration Rights Agreement by and between the company and various investors in the May/June 2015 Private Placement
- First Amendment to Revolving Credit Agreement dated July 10, 2015 between the Company, Overland Storage, Inc. and FBC Holdings S.A.R.L.
- Amendment No. 2 to Amended and Restated Loan and Security Agreement dated July 29, 2015 between Overland, Tandberg Data GmbH, Sphere 3D and Silicon Valley Bank

- Asset Purchase Agreement dated August 10, 2015 between Imation Corp., Overland Storage, Inc. and Sphere 3D Corp.
- Warrant No. WC-1 to Purchase Common Shares dated August 10, 2015 between Imation Corp. and Sphere 3D Corp.
- Lock-Up Agreement dated August 10, 2015 between Imation Corp. and Sphere 3D Corp.
- Registration Rights Agreement dated August 10, 2015 between Imation Corp. and Sphere 3D Corp.
- Purchase Agreement by and between the Company and an investor party thereto dated August 10, 2015 pursuant to which the Company agreed to issue 606,060 common shares and warrants to purchase up to 606,060 common shares (the “August 2015 Private Placement”), as amended
- Warrant issued to an investor pursuant to the August 2015 Private Placement
- Registration Rights Agreement by and between the Company and the investor in the August 2015 Private Placement
- Amendment to Warrant No. WC-1 to Purchase Common Shares dated September 11, 2015 between Imation Corp. and Sphere 3D Corp.
- Subscription Agreements by and between the Company and the various investors party thereto, dated various dates between September 22, 2015 and October 6, 2015, pursuant to which the Company agreed to issue 1,417,961 common shares of the Company, warrants to purchase up to 354,490 common shares, and adjustment warrants (the “September and October 2015 Registered Direct Placement”)
- Warrants issued to various investors pursuant to the September and October 2015 Registered Direct Placement
- Adjustment Warrants issued to various investors pursuant to the September and October 2015 Registered Direct Placement
- First Amendment to 8% Senior Secured Convertible Debenture dated November 30, 2015 between the Company and FBC Holdings S.A.R.L.
- Subscription and Purchase Agreements by and between the Company and the various investors party thereto, dated various dates between November 30, 2015 and December 15, 2015, pursuant to which the Company agreed to issue 2,880,00 common shares of the Company and warrants to purchase up to 2,880,000 common shares (the “December 2015 Registered Direct Placement”)
- Warrants issued to various investors pursuant to the December 2015 Registered Direct Placement for the purchase of up to 2,880,000 common shares

- Representative's Warrant Agreement issued to Ladenburg Thalmann & Co. Inc., dated January 15, 2016, for the purchase of up to 88,463 common shares
- Amendment No. 3 to Amended and Restated Loan and Security Agreement dated December 18, 2015 between Overland, Tandberg Data GmbH, Sphere 3D and Silicon Valley Bank

Amendment No. 4 and Limited Waiver to Amended and Restated Loan and Security Agreement dated February 26, 2016 between Overland, Tandberg Data GmbH, Sphere 3D and Silicon Valley Bank

SCHEDULE III

SVB Credit Facility

Pursuant to that certain Amended and Restated Loan and Security Agreement, dated December 31, 2014, by and among Overland Storage, Inc., Tandberg Data GmbH, the Company, and Silicon Valley Bank, the stock of V3 Systems Holdings, Inc., Sphere 3D Inc., Frostcat Technologies Inc., Overland Storage, Inc., Tandberg Data Corporation, Zetta Systems, Inc. and Tandberg Data GmbH have been pledged as collateral.

FBC Facilities

Pursuant to the Revolving Credit Agreement dated as of December 31, 2014 among Sphere 3D Corp., Overland Storage, Inc. and Sphere 3D Corp., (i) the stock of V3 Systems Holdings, Inc., Sphere 3D Inc., Frostcat Technologies Inc., Overland Storage, Inc., Tandberg Data Corporation, and Zetta Systems, Inc. and (ii) 65% of the stock of Overland Storage (Europe) Limited, Overland Storage Sarl, Overland Storage GmbH, Overland Technologies Luxembourg Sarl have been pledged as collateral.

Pursuant to the 8% Senior Secured Convertible Debenture due March 31, 2018 by Sphere 3D Corp. in favor of Sphere 3D Corp., (i) the stock of V3 Systems Holdings, Inc., Sphere 3D Inc., Frostcat Technologies Inc., Overland Storage, Inc., Tandberg Data Corporation, and Zetta Systems, Inc. and (ii) 65% of the stock of Overland Storage (Europe) Limited, Overland Storage Sarl, Overland Storage GmbH, Overland Technologies Luxembourg Sarl have been pledged as collateral.

Preferred Equity Certificates

Preferred Equity Certificates, dated June 30, 2014, issued by Tandberg Data Holdings S.à r.l. to Overland Technologies Luxembourg S.à r.l., as holder, having a par value of \$17,000,000.

Preferred Equity Certificates, dated June 30, 2014, issued by Overland Technologies Luxembourg S.à r.l. to Overland Storage, Inc., as holder, having a par value of \$17,000,000.

Warrants

Warrants to purchase up to, in aggregate, 500,000 common shares issued on February 26, 2016 to FBC Holdings S.à r.l. ("FBC") in connection with the amendment to the Company's 8% Senior Secured Convertible Debenture with FBC (with each such warrant's exercise price being determined by reference to 110% of the closing price for our common shares on The NASDAQ Global Market on the last complete trading day immediately prior to issuance).

EXHIBIT A

Form of Warrant

UNLESS PERMITTED UNDER APPLICABLE SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY TO OR FOR THE BENEFIT OF A CANADIAN PURCHASER UNTIL THE DATE THAT IS FOUR MONTHS AND A DAY AFTER .

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED UNLESS REGISTERED UNDER THE 1933 ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE, AND THE CORPORATION AND ITS TRANSFER AGENT HAS RECEIVED AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THEM TO SUCH EFFECT.

Void after 5:00 p.m. (New York City time) on the Expiry Date.

WARRANT

For the purchase of Common Shares of

SPHERE 3D CORP.

(Organized under the laws of the Province of Ontario, Canada)

Number of Warrants:

Warrant Certificate No.

This is to certify that, for value received, MacFarlane Family Ventures, LLC, 201 Spear Street 14th Floor, San Francisco, California 94105 (the "**Holder**"), shall have the right to purchase from Sphere 3D Corp. (the "**Corporation**"), at any time and from time to time up to 5:00 p.m. (New York City time) (the "**Expiry Time**") on the Expiry Date (as defined below), one fully paid and non-assessable common share in the capital of the Corporation (a "**Common Share**") for each Warrant (individually, a "**Warrant**") represented hereby at a price of US\$ per Common Share (the "**Exercise Price**"), upon and subject to the terms and conditions set forth herein. This Warrant was issued to Holder pursuant to that certain Warrant Exchange Agreement, dated as of , by and between the Corporation and the Holder.

1. For the purposes of this Warrant Certificate, the term "**Common Shares**" means common shares without par value in the capital of the Corporation as constituted as of the date hereof, provided that in the event of a subdivision, redivision, reduction, combination or consolidation thereof or any other adjustment under Section 9 hereof, or successive such subdivisions, redivisions, reductions, combinations,

consolidations or other adjustments, then subject to the adjustments, if any, having been made in accordance with the provisions of this Warrant Certificate, "**Common Shares**" shall thereafter mean the shares, other securities or other property resulting from such subdivision, redivision, reduction, combination or consolidation or other adjustment.

2. For the purposes of this Warrant Certificate, the term "**Expiry Date**" initially means . If, however, at any time on or after the date hereof until , the Holder makes delivery and payment as set forth in Section 5 for the purchase of at least Common Shares, then the Expiry Date in respect of the balance of Warrants not then exercised shall mean .

3. All Warrant Certificates shall be signed by an officer of the Corporation holding office at the time of signing, or any successor or replacement of such person and notwithstanding any change in any of the persons holding said offices between the time of actual signing and the delivery of the Warrant Certificate, the Warrant Certificate so signed shall be valid and binding upon the Corporation.

4. All rights under any of the Warrants in respect of which the right of subscription and purchase therein provided for shall not theretofore have been exercised shall wholly cease and such Warrants shall be wholly void and of no valid or binding effect after the Expiry Time.

5. The right to purchase Common Shares of the Corporation pursuant to the Warrants may only be exercised by the Holder at or before the Expiry Time by:

- (a) duly completing and executing a subscription substantially in the form attached as Schedule "A" (the "**Subscription Form**"), in the manner therein indicated; and
- (b) surrendering this Warrant Certificate and the duly completed and executed Subscription Form to the Corporation prior to the Expiry Time at 9112 Spectrum Center Boulevard, San Diego, California, 92123, together with payment of the purchase price for the Common Shares subscribed for in the form of certified cheque, money order or bank draft payable to the Corporation in an amount equal to the then applicable Exercise Price multiplied by the number of Common Shares subscribed for ("**Aggregate Exercise Price**").

6. Upon delivery and payment as set forth in Section 5, the Corporation shall cause to be issued to the Holder the number of Common Shares subscribed for by the Holder and the Holder shall become a shareholder of the Corporation in respect of such Common Shares with effect from the date of such delivery and payment and shall be entitled to delivery of a certificate or certificates evidencing such shares, or to a non-transferable written acknowledgement of the right to obtain a certificate. The Corporation shall cause such certificate or certificates to be mailed to the Holder at the address or addresses specified in the Subscription Form within five (5) Business Days (as defined below) of such delivery and payment as set forth in Section 5 or, if so instructed by the Holder, held for pick-up by the Holder at the principal office of the Corporation; provided, however, if the transfer agent for the Common Shares is participating in DTC Fast Automated Securities Transfer Program (the "**DTC Program**") and the Common Shares to be delivered to the Holder pursuant to this Section 6 are eligible to participate in the DTC Program, the Corporation will cause the transfer agent

to credit such aggregate number of Common Shares to which the Holder is entitled pursuant to this Section 6 to the Holder's or its designee's balance account with DTC through its Deposit / Withdrawal At Custodian system. Notwithstanding any adjustment provided for in Section 9 hereof, the Corporation shall not be required upon the exercise of any Warrants to issue fractional Common Shares in satisfaction of its obligations hereunder and the Holder understands and agrees that it will not be entitled to any cash payment or other form of compensation in respect of a fractional Common Share that might otherwise have been issued. As used in this Warrant Certificate, "**Business Day**" means a day, other than a Saturday or Sunday, on which banks in New York City and Toronto (Ontario) are open for the general transaction of business.

7. The holding of a Warrant shall not constitute the Holder a shareholder of the Corporation nor entitle him to any right or interest in respect thereof except as herein expressly provided.

8. The Corporation covenants and agrees that until the Expiry Time, while any of the Warrants shall be outstanding, it shall reserve and there shall remain unissued out of its authorized capital a sufficient number of Common Shares to satisfy the right of purchase herein provided, as such right of purchase may be adjusted pursuant to Sections 9 and 10 hereof. The Corporation further covenants and agrees that while any of the Warrants shall be outstanding, the Corporation shall (a) comply with the securities legislation applicable to it; and (b) use its commercially reasonable efforts to do or cause to be done all things necessary to preserve and maintain its corporate existence. All Common Shares which shall be issued upon the exercise of the right to purchase herein provided for, upon payment therefor of the amount at which such Common Shares may at the time be purchased pursuant to the provisions hereof, shall be issued as fully paid and non-assessable shares and the holders thereof shall not be liable to the Corporation or its creditors in respect thereof.

9. (a) As used in this Warrant, unless there is something in the subject matter or context inconsistent therewith, the words and terms defined below shall have the respective meanings specified therefor:

"**Current Market Price**" of the Common Shares at any date means the price per share equal to the Weighted Average Price (as defined below) at which Common Shares have traded on the Nasdaq Global Market or, if the Common Shares are not then listed on the Nasdaq, on such other stock exchange on which the shares trade as may be selected by the directors of the Corporation for such purpose (collectively, "**Nasdaq**");

"**director**" means a director of the Corporation and, unless otherwise specified herein, a reference to action "by the directors" means action by the directors of the Corporation as a board or, whenever empowered, action by the executive committee of such board; and

"**Weighted Average Price**" means, for the Common Shares as of any date, the dollar volume-weighted average price for the Common Shares on Nasdaq during the period beginning at 9:30:01 a.m., New York time (or such other time as Nasdaq publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as Nasdaq publicly announces is the official close of trading), as reported by Bloomberg through its

“Volume at Price” function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time (or such other time as such market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as such market publicly announces is the official close of trading), as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the OTC Link or "pink sheets" by OTC Markets Group Inc. (formerly Pink OTC Markets Inc.). If the Weighted Average Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Weighted Average Price of the Common Shares on such date shall be the fair market value as mutually determined by the Corporation and the Holder. If the Corporation and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 27.

- (b) If and whenever at any time after the date hereof and prior to the Expiry Time the Corporation shall (i) subdivide or redivide its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine or consolidate its then outstanding Common Shares into a lesser number of Common Shares or (iii) issue Common Shares (or securities exchangeable for or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of a stock dividend or other distribution (any of such events herein called a "**Common Share Reorganization**"), then the Exercise Price shall be adjusted effective immediately after the effective date of any such event in (i) or (ii) above or the record date at which the holders of Common Shares are determined for the purpose of any such dividend or distribution in (iii) above, as the case may be, by multiplying the Exercise Price in effect on such effective date or record date, as the case may be, by a fraction, the numerator of which shall be the number of Common Shares outstanding on such effective date or record date, as the case may be, before giving effect to such Common Share Reorganization and the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would be outstanding if such securities were exchanged for or converted into Common Shares.
- (c) If and whenever at any time after the date hereof and prior to the Expiry Time there is a capital reorganization of the Corporation or a reclassification or other change in the Common Shares (other than a Common Share Reorganization) or a consolidation or merger or amalgamation of the Corporation with or into any other corporation or other entity (other than a consolidation, merger or amalgamation which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other securities), or a transfer of all or substantially all of the Corporation's undertaking and assets to another corporation or other entity in which the holders of Common Shares are entitled to receive shares, other securities or other property) (any of such events, excluding, however, a

transaction effected solely to change the domicile of the Corporation, being called a "**Capital Reorganization**"), after the effective date of the Capital Reorganization the Holder shall be entitled to receive, and shall accept, for the same aggregate consideration, upon exercise of the Warrants, in lieu of the number of Common Shares to which the Holder was theretofore entitled upon the exercise of the Warrants, the kind and aggregate number of Common Shares and other securities or property resulting from the Capital Reorganization which the Holder would have been entitled to receive as a result of the Capital Reorganization if, on the effective date thereof, the Holder has been the registered holder of the number of Common Shares to which the Holder was theretofore entitled to purchase or receive upon the exercise of the Warrants. If necessary, as a result of any Capital Reorganization, appropriate adjustments shall be made in the application of the provisions of this Warrant Certificate with respect to the rights and interest thereafter of the Holder such that the provisions of this Warrant Certificate shall thereafter correspondingly be made applicable as nearly as may reasonably be possible in relation to any shares or other securities or property thereafter deliverable upon the exercise of this Warrant Certificate.

- (d) If and whenever at any time after the date hereof and prior to the Expiry Time, any of the events set out in Sections 9 (b) or (c) shall occur and the occurrence of such event results in an adjustment of the Exercise Price pursuant to the provisions of this Section 9, then the number of Common Shares purchasable pursuant to this Warrant shall be adjusted contemporaneously with the adjustment of the Exercise Price by multiplying the number of Common Shares then otherwise purchasable on the exercise thereof by a fraction, the numerator of which shall be the Exercise Price in effect immediately prior to the adjustment and the denominator of which shall be the Exercise Price resulting from such adjustment.
- (e) If the Corporation takes any action affecting its Common Shares to which the foregoing provisions of this Section 9, in the opinion of the board of directors of the Corporation, acting in good faith, are not strictly applicable, or if strictly applicable would not fairly adjust the rights of the Holder against dilution in accordance with the intent and purposes hereof, or would otherwise materially affect the rights of the Holder hereunder, then the Corporation shall, subject to the approval of the Nasdaq (or such other stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable), execute and deliver to the Holder an amendment hereto providing for an adjustment in the application of such provisions so as to adjust such rights as aforesaid in such manner as the board of directors of the Corporation may determine to be equitable in the circumstances, acting in good faith. The failure of the taking of action by the board of directors of the Corporation to so provide for any adjustment on or prior to the effective date of any action or occurrence giving rise to such state of facts will be conclusive evidence that the board of directors has determined that it is equitable to make no adjustment in the circumstances.

10. The following rules and procedures shall be applicable to the adjustments made pursuant to Section 9:

- (a) any Common Shares owned or held by or for the account of the Corporation shall be deemed not to be outstanding except that, for the purposes of Section 9, any Common Shares owned by a pension plan or profit sharing plan for employees of the Corporation or any of its subsidiaries shall not be considered to be owned or held by or for the account of the Corporation;
- (b) no adjustment in the Exercise Price or the number of Common Shares purchasable pursuant to this Warrant shall be required unless a change of at least 1% of the prevailing Exercise Price or the number of Common Shares purchasable pursuant to this Warrant would result, provided, however, that any adjustment which, except for the provisions of this Section 10(b), would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment;
- (c) the adjustments provided for in Section 9 are cumulative and shall apply to successive subdivisions, consolidations, dividends, distributions and other events resulting in any adjustment under the provisions of such section;
- (d) if the Corporation sets a record date to take any action and thereafter and before the taking of such action abandons its plan to take such action, then no adjustment to the Exercise Price will be required by reason of the setting of such record date;
- (e) as a condition precedent to the taking of any action which would require any adjustment to the Warrants evidenced hereby, including the Exercise Price, the Corporation must take any corporate action which may be necessary in order that the Corporation shall have unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all of the shares or other securities which the Holder is entitled to receive on the full exercise thereof in accordance with the provisions hereof;
- (f) forthwith, but no later than fourteen (14) days, after any adjustment to the Exercise Price or the number of Common Shares purchasable pursuant to the Warrants, the Corporation shall provide to the Holder a certificate of an officer of the Corporation certifying as to the amount of such adjustment and, in reasonable detail, describing the event requiring and the manner of computing or determining such adjustment;
- (g) any question that at any time or from time to time arises with respect to the amount of any adjustment to the Exercise Price or other adjustment pursuant to Section 9 shall be conclusively determined by a firm of independent chartered accountants (who may be the Corporation's auditors) and shall be binding upon the Corporation and the Holder;
- (h) any adjustment to the Exercise Price or the number of Common Shares purchasable pursuant to the Warrants under the terms of this Warrant Certificate shall be subject to the prior approval of the Nasdaq (or such other stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable); and

- (i) in case the Corporation, after the date of issue of this Warrant Certificate, takes any action affecting the Common Shares, other than an action described in Section 9, which in the opinion of the directors of the Corporation would materially affect the rights of the Holder, the Exercise Price will be adjusted in such manner, if any, and at such time, by action by the directors of the Corporation but subject in all cases to any necessary regulatory approval, including approval of the Nasdaq (or such other stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable). Failure of the taking of action by the directors of the Corporation so as to provide for an adjustment on or prior to the effective date of any action by the Corporation affecting the Common Shares will be conclusive evidence that the board of directors of the Corporation has determined that it is equitable to make no adjustment in the circumstances.

11. At least 21 days prior to the effective date or record date, as the case may be, of any event referred to in Section 9 herein, the Corporation shall notify the Holder of the particulars of such event and the estimated amount of any adjustment required as a result thereof.

12. On the happening of each and every such event set out in Section 9, the applicable provisions of this Warrant Certificate, including the Exercise Price, shall, *ipso facto*, be deemed to be amended accordingly and the Corporation shall take all necessary action so as to comply with such provisions as so amended.

13. The Corporation shall not be required to deliver certificates for Common Shares while the share transfer books of the Corporation are properly closed, having regard to the provisions of Sections 9 and 10 hereof, prior to any meeting of shareholders or for the payment of dividends or for any other purpose and in the event of the surrender of any Warrant in accordance with the provisions hereof and the making of any subscription and payment for the Common Shares called for thereby during any such period, delivery of certificates for Common Shares may be postponed for not more than five (5) Business Days after the date of the re-opening of said share transfer books; provided, however, that any such postponement of delivery of certificates shall be without prejudice to the right of the Holder so surrendering the same and making payment during such period to receive after the share transfer books shall have been re-opened such certificates for the Common Shares called for, as the same may be adjusted pursuant to Sections 9 and 10 hereof as a result of the completion of the event in respect of which the transfer books were closed.

14. Subject as hereinafter provided, all or any of the rights conferred upon the Holder by the terms hereof may be enforced by the Holder by appropriate legal proceedings. No recourse under or upon any obligation, covenant or agreement contained herein shall be had against any shareholder, director or officer of the Corporation either directly or through the Corporation, it being expressly agreed and declared that the obligations under the Warrants are solely corporate obligations and that no personal liability whatever shall attach to or be incurred by the shareholders, directors or officers of the Corporation or any of them in respect thereof, any and all rights and claims against every such shareholder, officer or director being hereby expressly waived as a condition of and as a consideration for the issue of the Warrants.

15. The Holder may subscribe for and purchase any lesser number of Common Shares than the number of Common Shares expressed in any Warrant Certificate. In the case of any subscription for a lesser number

of Common Shares than expressed in any Warrant Certificate, the Holder hereof shall be entitled to receive, at no cost to the Holder, a new Warrant Certificate in respect of the balance of Warrants not then exercised. Such new Warrant Certificate shall be mailed to the Holder by the Corporation or, at its direction, the transfer agent of the Corporation, contemporaneously with the mailing of the certificate or certificates representing the Common Shares issued pursuant to Section 6 (or if applicable, contemporaneously with delivery of such Common Shares through DTC's Deposit / Withdrawal At Custodian system).

16. If any Warrant Certificate becomes stolen, lost, mutilated or destroyed, the Corporation shall, on such terms as it may in its discretion impose, acting reasonably, issue and sign a new Warrant Certificate of like denomination, tenor and date as the Warrant Certificate so stolen, lost, mutilated or destroyed for delivery to the Holder. The applicant for the issue of a new Warrant Certificate pursuant to this Section shall bear the cost of the issue thereof and in the case of mutilation shall as a condition precedent to the issue thereof, deliver to the Corporation the mutilated Warrant Certificate, and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Corporation such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen as shall be satisfactory to the Corporation in its discretion and the applicant shall also be required to furnish an indemnity and surety bond in amount and form satisfactory to the Corporation in its discretion and shall pay the reasonable charges of the Corporation in connection therewith.

17. The Holder may transfer the Warrants represented hereby by:

- (a) duly completing and executing the transfer form attached as Schedule "B" ("Transfer Form"); and
- (b) surrendering this Warrant Certificate and the completed Transfer Form, together with such other documents as the Corporation may reasonably request, to the Corporation at the address set forth on the Transfer Form or such other office as may be specified by the Corporation, in a written notice to the Holder, from time to time,

provided that all such transfers shall be effected in accordance with all applicable securities laws, and provided that, after such transfer, the term "Holder" shall mean and include any transferee or assignee of the current or any future Holder. If only part of the Warrants evidenced hereby is transferred, the Corporation will deliver to the Holder and the transferee replacement Warrant Certificates substantially in the form of this Warrant Certificate.

18. Neither the issuance and sale of the securities represented by this Warrant Certificate nor the Common Shares into which these securities are exercisable have been registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or applicable state securities laws. These securities may not be offered for sale, sold, transferred or assigned unless registered under the U.S. Securities Act and any applicable state securities laws or unless an exemption from such registration is available, and the Corporation and its transfer agent has received an opinion of counsel of recognized standing in form and substance reasonably satisfactory to them to such effect.

19. Any certificate representing Common Shares issued upon the exercise of this Warrant may bear the following legends:

UNLESS PERMITTED UNDER APPLICABLE SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY TO OR FOR THE BENEFIT OF A CANADIAN PURCHASER UNTIL THE DATE THAT IS FOUR MONTHS AND A DAY AFTER . (In the event that no physical certificates are issued, the above constitutes written notice of the legend restriction under applicable Canadian securities laws.)

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED UNLESS REGISTERED UNDER THE 1933 ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE, AND THE CORPORATION AND ITS TRANSFER AGENT HAVE RECEIVED AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THEM TO SUCH EFFECT.

20. The Corporation will maintain a register of holders of Warrants at its principal office. The Corporation may deem and treat the registered holder of any Warrant Certificate as the absolute owner of the Warrants represented thereby for all purposes, and the Corporation shall not be affected by any notice or knowledge to the contrary except where the Corporation is required to take notice by statute or by order of a court of competent jurisdiction. A Holder shall be entitled to the rights evidenced by such Warrant free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate holder thereof and all persons may act accordingly and the receipt by any such Holder of the Common Shares purchasable pursuant to such Warrant shall be a good discharge to the Corporation for the same and the Corporation shall not be bound to inquire into the title of any such Holder except where the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

21. The Corporation shall notify the Holder forthwith of any change of the Corporation's address.

22. All notices to be sent hereunder shall be deemed to be validly given to the registered holders of the Warrants if delivered personally or if sent by registered letter through the post addressed to such holders at their post office addresses appearing in the register of Warrant holders caused to be maintained by the Corporation, and such notice shall be deemed to have been given, if delivered personally when so delivered, and if sent by post on the fifth Business Day next following the post thereof.

23. If for any reason, other than the failure or default of the Holder, the Corporation is unable to issue and deliver the Common Shares or other securities as contemplated herein to the Holder upon the proper exercise by the Holder of the right to purchase any of the Common Shares purchasable upon exercise of the Warrants represented hereby, the Corporation may pay, at its option and in complete satisfaction of its obligations and

the rights of the Holder hereunder, to the Holder, in cash, an amount equal to the difference between the Exercise Price and the Current Market Price of such Common Shares on the date of exercise by the Holder, and upon such payment the Corporation shall have no liability or other obligation to the Holder relating to or in respect of the Warrants or this Warrant Certificate.

24. This Warrant Certificate shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

25. If one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Warrant Certificate, but this Warrant Certificate shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

26. This Warrant Certificate shall enure to the benefit of and shall be binding upon the Holder and the Corporation and their respective successors and assigns.

27. In the case of a dispute as to the determination of the Weighted Average Price, the Exercise Price or the arithmetic calculation of the Common Shares for which this Warrant is exercisable, the Corporation shall submit the disputed determinations or arithmetic calculations via facsimile or electronic mail to the Holder. If the Holder and the Corporation are unable to agree upon such determination or calculation of the Exercise Price or of the Common Shares for which this Warrant is exercisable within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Corporation shall submit via facsimile or electronic mail (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Corporation and approved by the Holder or (b) the disputed arithmetic calculation of the Common Shares for which this Warrant is exercisable to the Corporation's independent, outside accountant. The Corporation shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Corporation and the Holder of the results. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be signed by its duly authorized officer.

DATED as of the ___ day of , 2016.

SPHERE 3D CORP.

Per: _____
Kurt Kalbfleisch, Chief Financial
Officer

Schedule "A"

SUBSCRIPTION FORM

TO BE COMPLETED IF WARRANTS ARE TO BE EXERCISED:

TO: **SPHERE 3D CORPORATION**
9112 Spectrum Center Boulevard, San Diego, California, 92123

The undersigned hereby subscribes for Common Shares of Sphere 3D Corp. according to the terms and conditions set forth in the annexed Warrant Certificate (or such number of other securities or property to which such Warrant Certificate entitles the undersigned to acquire under the terms and conditions set forth in such Warrant Certificate).

Registered Name: _____

Address for Delivery of Common Shares: _____

Attention: _____

Exercise Price Tendered (US\$1.22 per Common Share or as adjusted) US\$_____

Capitalized terms not defined herein shall have the meanings assigned to them in the Warrant Certificate to which this subscription form is attached.

Dated at , this day of , 20 .

WITNESS:

)
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)

Holder's Name

Authorized Signature

Title (if applicable)

Signature guaranteed¹:

1. If the Common Shares are to be registered in a name other than the name of the registered Warrant Holder, the signature of the Warrant Holder must be medallion guaranteed by a bank, trust Corporation or a member of a stock exchange in the United States.

Schedule "B"

WARRANT TRANSFER FORM

FOR VALUE RECEIVED, subject to receipt of prior written approval of SPHERE 3D CORP. (the "**Corporation**"), the undersigned (the "**Transferor**") hereby sells, assigns and transfers unto (name) _____ (the "**Transferee**") of (residential address) _____ Warrants of the Corporation registered in the name of the undersigned represented by the within certificate, and irrevocably appoints the Corporation as the attorney of the undersigned to transfer the said securities on the register of transfers for the said Warrants, with full power of substitution.

NOTICE: The signature of this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement or any change whatever, and must be guaranteed by a bank, trust Corporation or a member of a recognized stock exchange. The guarantor must affix a stamp bearing the actual words "Signature Guaranteed".

DATED this day of , 20_.

Signature Guaranteed (Signature of transferring Warrantholder)

Name (please print)

Address

TRANSFeree ACKNOWLEDGMENT

In connection with this transfer the undersigned transferee is delivering a written opinion of U.S. Counsel acceptable to the Corporation to the effect that this transfer of Warrants has been registered under the 1933 Act or is exempt from registration thereunder.

—

(Signature of Transferee)

— _____

Date Name of Transferee (please print)

The Warrants and the common shares issuable upon exercise of the Warrants shall only be transferable in accordance with applicable laws. The Warrants may only be exercised in the manner required by the certificate representing the Warrants and the Warrant Exercise Form attached thereto. Any common shares acquired pursuant to this Warrant shall be subject to applicable hold periods and any certificate representing such common shares will bear restrictive legends.

UNLESS PERMITTED UNDER APPLICABLE SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY TO OR FOR THE BENEFIT OF A CANADIAN PURCHASER UNTIL THE DATE THAT IS FOUR MONTHS AND A DAY AFTER MARCH 25, 2016.

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED UNLESS REGISTERED UNDER THE 1933 ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE, AND THE CORPORATION AND ITS TRANSFER AGENT HAS RECEIVED AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THEM TO SUCH EFFECT.

Void after 5:00 p.m. (New York City time) on the Expiry Date.

WARRANT

For the purchase of Common Shares of

SPHERE 3D CORP.

(Organized under the laws of the Province of Ontario, Canada)

Number of Warrants: 7,199,216

Warrant Certificate No. 32

This is to certify that, for value received, MacFarlane Family Ventures, LLC, 201 Spear Street 14th Floor, San Francisco, California 94105 (the "**Holder**"), shall have the right to purchase from Sphere 3D Corp. (the "**Corporation**"), at any time and from time to time up to 5:00 p.m. (New York City time) (the "**Expiry Time**") on the Expiry Date (as defined below), one fully paid and non-assessable common share in the capital of the Corporation (a "**Common Share**") for each Warrant (individually, a "**Warrant**") represented hereby at a price of US\$1.22 per Common Share (the "**Exercise Price**"), upon and subject to the terms and conditions set forth herein. This Warrant was issued to Holder pursuant to that certain Warrant Exchange Agreement, dated as of March 25, 2016, by and between the Corporation and the Holder.

1. For the purposes of this Warrant Certificate, the term "**Common Shares**" means common shares without par value in the capital of the Corporation as constituted as of the date hereof, provided that in the event of a subdivision, redivision, reduction, combination or consolidation thereof or any other adjustment under Section 9 hereof, or successive such subdivisions, redivisions, reductions, combinations, consolidations or other adjustments, then subject to the adjustments, if any, having been made in accordance

with the provisions of this Warrant Certificate, "**Common Shares**" shall thereafter mean the shares, other securities or other property resulting from such subdivision, redivision, reduction, combination or consolidation or other adjustment.

2. For the purposes of this Warrant Certificate, the term "**Expiry Date**" initially means April 14, 2016. If, however, at any time on or after the date hereof until April 14, 2016, the Holder makes delivery and payment as set forth in Section 5 for the purchase of at least 3,031,249 Common Shares, then the Expiry Date in respect of the balance of Warrants not then exercised shall mean March 25, 2021.

3. All Warrant Certificates shall be signed by an officer of the Corporation holding office at the time of signing, or any successor or replacement of such person and notwithstanding any change in any of the persons holding said offices between the time of actual signing and the delivery of the Warrant Certificate, the Warrant Certificate so signed shall be valid and binding upon the Corporation.

4. All rights under any of the Warrants in respect of which the right of subscription and purchase therein provided for shall not theretofore have been exercised shall wholly cease and such Warrants shall be wholly void and of no valid or binding effect after the Expiry Time.

5. The right to purchase Common Shares of the Corporation pursuant to the Warrants may only be exercised by the Holder at or before the Expiry Time by:

- (a) duly completing and executing a subscription substantially in the form attached as Schedule "A" (the "**Subscription Form**"), in the manner therein indicated; and
- (b) surrendering this Warrant Certificate and the duly completed and executed Subscription Form to the Corporation prior to the Expiry Time at 9112 Spectrum Center Boulevard, San Diego, California, 92123, together with payment of the purchase price for the Common Shares subscribed for in the form of certified cheque, money order or bank draft payable to the Corporation in an amount equal to the then applicable Exercise Price multiplied by the number of Common Shares subscribed for ("**Aggregate Exercise Price**").

6. Upon delivery and payment as set forth in Section 5, the Corporation shall cause to be issued to the Holder the number of Common Shares subscribed for by the Holder and the Holder shall become a shareholder of the Corporation in respect of such Common Shares with effect from the date of such delivery and payment and shall be entitled to delivery of a certificate or certificates evidencing such shares, or to a non-transferable written acknowledgement of the right to obtain a certificate. The Corporation shall cause such certificate or certificates to be mailed to the Holder at the address or addresses specified in the Subscription Form within five (5) Business Days (as defined below) of such delivery and payment as set forth in Section 5 or, if so instructed by the Holder, held for pick-up by the Holder at the principal office of the Corporation; provided, however, if the transfer agent for the Common Shares is participating in DTC Fast Automated Securities Transfer Program (the "**DTC Program**") and the Common Shares to be delivered to the Holder pursuant to this Section 6 are eligible to participate in the DTC Program, the Corporation will cause the transfer agent to credit such aggregate number of Common Shares to which the Holder is entitled pursuant to this Section

6 to the Holder's or its designee's balance account with DTC through its Deposit / Withdrawal At Custodian system. Notwithstanding any adjustment provided for in Section 9 hereof, the Corporation shall not be required upon the exercise of any Warrants to issue fractional Common Shares in satisfaction of its obligations hereunder and the Holder understands and agrees that it will not be entitled to any cash payment or other form of compensation in respect of a fractional Common Share that might otherwise have been issued. As used in this Warrant Certificate, "**Business Day**" means a day, other than a Saturday or Sunday, on which banks in New York City and Toronto (Ontario) are open for the general transaction of business.

7. The holding of a Warrant shall not constitute the Holder a shareholder of the Corporation nor entitle him to any right or interest in respect thereof except as herein expressly provided.

8. The Corporation covenants and agrees that until the Expiry Time, while any of the Warrants shall be outstanding, it shall reserve and there shall remain unissued out of its authorized capital a sufficient number of Common Shares to satisfy the right of purchase herein provided, as such right of purchase may be adjusted pursuant to Sections 9 and 10 hereof. The Corporation further covenants and agrees that while any of the Warrants shall be outstanding, the Corporation shall (a) comply with the securities legislation applicable to it; and (b) use its commercially reasonable efforts to do or cause to be done all things necessary to preserve and maintain its corporate existence. All Common Shares which shall be issued upon the exercise of the right to purchase herein provided for, upon payment therefor of the amount at which such Common Shares may at the time be purchased pursuant to the provisions hereof, shall be issued as fully paid and non-assessable shares and the holders thereof shall not be liable to the Corporation or its creditors in respect thereof.

9. (a) As used in this Warrant, unless there is something in the subject matter or context inconsistent therewith, the words and terms defined below shall have the respective meanings specified therefor:

"**Current Market Price**" of the Common Shares at any date means the price per share equal to the Weighted Average Price (as defined below) at which Common Shares have traded on the Nasdaq Global Market or, if the Common Shares are not then listed on the Nasdaq, on such other stock exchange on which the shares trade as may be selected by the directors of the Corporation for such purpose (collectively, "**Nasdaq**");

"**director**" means a director of the Corporation and, unless otherwise specified herein, a reference to action "by the directors" means action by the directors of the Corporation as a board or, whenever empowered, action by the executive committee of such board; and

"**Weighted Average Price**" means, for the Common Shares as of any date, the dollar volume-weighted average price for the Common Shares on Nasdaq during the period beginning at 9:30:01 a.m., New York time (or such other time as Nasdaq publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as Nasdaq publicly announces is the official close of trading), as reported by Bloomberg through its "Volume at Price" function or, if the foregoing does not apply, the dollar volume-weighted

average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time (or such other time as such market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as such market publicly announces is the official close of trading), as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the OTC Link or "pink sheets" by OTC Markets Group Inc. (formerly Pink OTC Markets Inc.). If the Weighted Average Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Weighted Average Price of the Common Shares on such date shall be the fair market value as mutually determined by the Corporation and the Holder. If the Corporation and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 27.

- (b) If and whenever at any time after the date hereof and prior to the Expiry Time the Corporation shall (i) subdivide or redivide its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine or consolidate its then outstanding Common Shares into a lesser number of Common Shares or (iii) issue Common Shares (or securities exchangeable for or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of a stock dividend or other distribution (any of such events herein called a "**Common Share Reorganization**"), then the Exercise Price shall be adjusted effective immediately after the effective date of any such event in (i) or (ii) above or the record date at which the holders of Common Shares are determined for the purpose of any such dividend or distribution in (iii) above, as the case may be, by multiplying the Exercise Price in effect on such effective date or record date, as the case may be, by a fraction, the numerator of which shall be the number of Common Shares outstanding on such effective date or record date, as the case may be, before giving effect to such Common Share Reorganization and the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would be outstanding if such securities were exchanged for or converted into Common Shares.
- (c) If and whenever at any time after the date hereof and prior to the Expiry Time there is a capital reorganization of the Corporation or a reclassification or other change in the Common Shares (other than a Common Share Reorganization) or a consolidation or merger or amalgamation of the Corporation with or into any other corporation or other entity (other than a consolidation, merger or amalgamation which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other securities), or a transfer of all or substantially all of the Corporation's undertaking and assets to another corporation or other entity in which the holders of Common Shares are entitled to receive shares, other securities or other property) (any of such events, excluding, however, a transaction effected solely to change the domicile of the Corporation, being called a "**Capital**

Reorganization"), after the effective date of the Capital Reorganization the Holder shall be entitled to receive, and shall accept, for the same aggregate consideration, upon exercise of the Warrants, in lieu of the number of Common Shares to which the Holder was theretofore entitled upon the exercise of the Warrants, the kind and aggregate number of Common Shares and other securities or property resulting from the Capital Reorganization which the Holder would have been entitled to receive as a result of the Capital Reorganization if, on the effective date thereof, the Holder has been the registered holder of the number of Common Shares to which the Holder was theretofore entitled to purchase or receive upon the exercise of the Warrants. If necessary, as a result of any Capital Reorganization, appropriate adjustments shall be made in the application of the provisions of this Warrant Certificate with respect to the rights and interest thereafter of the Holder such that the provisions of this Warrant Certificate shall thereafter correspondingly be made applicable as nearly as may reasonably be possible in relation to any shares or other securities or property thereafter deliverable upon the exercise of this Warrant Certificate.

- (d) If and whenever at any time after the date hereof and prior to the Expiry Time, any of the events set out in Sections 9 (b) or (c) shall occur and the occurrence of such event results in an adjustment of the Exercise Price pursuant to the provisions of this Section 9, then the number of Common Shares purchasable pursuant to this Warrant shall be adjusted contemporaneously with the adjustment of the Exercise Price by multiplying the number of Common Shares then otherwise purchasable on the exercise thereof by a fraction, the numerator of which shall be the Exercise Price in effect immediately prior to the adjustment and the denominator of which shall be the Exercise Price resulting from such adjustment.
- (e) If the Corporation takes any action affecting its Common Shares to which the foregoing provisions of this Section 9, in the opinion of the board of directors of the Corporation, acting in good faith, are not strictly applicable, or if strictly applicable would not fairly adjust the rights of the Holder against dilution in accordance with the intent and purposes hereof, or would otherwise materially affect the rights of the Holder hereunder, then the Corporation shall, subject to the approval of the Nasdaq (or such other stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable), execute and deliver to the Holder an amendment hereto providing for an adjustment in the application of such provisions so as to adjust such rights as aforesaid in such manner as the board of directors of the Corporation may determine to be equitable in the circumstances, acting in good faith. The failure of the taking of action by the board of directors of the Corporation to so provide for any adjustment on or prior to the effective date of any action or occurrence giving rise to such state of facts will be conclusive evidence that the board of directors has determined that it is equitable to make no adjustment in the circumstances.

10. The following rules and procedures shall be applicable to the adjustments made pursuant to Section 9:

- (a) any Common Shares owned or held by or for the account of the Corporation shall be deemed not to be outstanding except that, for the purposes of Section 9, any Common Shares owned by a pension plan or profit sharing plan for employees of the Corporation or any of its subsidiaries shall not be considered to be owned or held by or for the account of the Corporation;
- (b) no adjustment in the Exercise Price or the number of Common Shares purchasable pursuant to this Warrant shall be required unless a change of at least 1% of the prevailing Exercise Price or the number of Common Shares purchasable pursuant to this Warrant would result, provided, however, that any adjustment which, except for the provisions of this Section 10(b), would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment;
- (c) the adjustments provided for in Section 9 are cumulative and shall apply to successive subdivisions, consolidations, dividends, distributions and other events resulting in any adjustment under the provisions of such section;
- (d) if the Corporation sets a record date to take any action and thereafter and before the taking of such action abandons its plan to take such action, then no adjustment to the Exercise Price will be required by reason of the setting of such record date;
- (e) as a condition precedent to the taking of any action which would require any adjustment to the Warrants evidenced hereby, including the Exercise Price, the Corporation must take any corporate action which may be necessary in order that the Corporation shall have unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all of the shares or other securities which the Holder is entitled to receive on the full exercise thereof in accordance with the provisions hereof;
- (f) forthwith, but no later than fourteen (14) days, after any adjustment to the Exercise Price or the number of Common Shares purchasable pursuant to the Warrants, the Corporation shall provide to the Holder a certificate of an officer of the Corporation certifying as to the amount of such adjustment and, in reasonable detail, describing the event requiring and the manner of computing or determining such adjustment;
- (g) any question that at any time or from time to time arises with respect to the amount of any adjustment to the Exercise Price or other adjustment pursuant to Section 9 shall be conclusively determined by a firm of independent chartered accountants (who may be the Corporation's auditors) and shall be binding upon the Corporation and the Holder;
- (h) any adjustment to the Exercise Price or the number of Common Shares purchasable pursuant to the Warrants under the terms of this Warrant Certificate shall be subject to the prior

approval of the Nasdaq (or such other stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable); and

- (i) in case the Corporation, after the date of issue of this Warrant Certificate, takes any action affecting the Common Shares, other than an action described in Section 9, which in the opinion of the directors of the Corporation would materially affect the rights of the Holder, the Exercise Price will be adjusted in such manner, if any, and at such time, by action by the directors of the Corporation but subject in all cases to any necessary regulatory approval, including approval of the Nasdaq (or such other stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable). Failure of the taking of action by the directors of the Corporation so as to provide for an adjustment on or prior to the effective date of any action by the Corporation affecting the Common Shares will be conclusive evidence that the board of directors of the Corporation has determined that it is equitable to make no adjustment in the circumstances.

11. At least 21 days prior to the effective date or record date, as the case may be, of any event referred to in Section 9 herein, the Corporation shall notify the Holder of the particulars of such event and the estimated amount of any adjustment required as a result thereof.

12. On the happening of each and every such event set out in Section 9, the applicable provisions of this Warrant Certificate, including the Exercise Price, shall, *ipso facto*, be deemed to be amended accordingly and the Corporation shall take all necessary action so as to comply with such provisions as so amended.

13. The Corporation shall not be required to deliver certificates for Common Shares while the share transfer books of the Corporation are properly closed, having regard to the provisions of Sections 9 and 10 hereof, prior to any meeting of shareholders or for the payment of dividends or for any other purpose and in the event of the surrender of any Warrant in accordance with the provisions hereof and the making of any subscription and payment for the Common Shares called for thereby during any such period, delivery of certificates for Common Shares may be postponed for not more than five (5) Business Days after the date of the re-opening of said share transfer books; provided, however, that any such postponement of delivery of certificates shall be without prejudice to the right of the Holder so surrendering the same and making payment during such period to receive after the share transfer books shall have been re-opened such certificates for the Common Shares called for, as the same may be adjusted pursuant to Sections 9 and 10 hereof as a result of the completion of the event in respect of which the transfer books were closed.

14. Subject as hereinafter provided, all or any of the rights conferred upon the Holder by the terms hereof may be enforced by the Holder by appropriate legal proceedings. No recourse under or upon any obligation, covenant or agreement contained herein shall be had against any shareholder, director or officer of the Corporation either directly or through the Corporation, it being expressly agreed and declared that the obligations under the Warrants are solely corporate obligations and that no personal liability whatever shall attach to or be incurred by the shareholders, directors or officers of the Corporation or any of them in respect thereof, any and all rights and claims against every such shareholder, officer or director being hereby expressly waived as a condition of and as a consideration for the issue of the Warrants.

15. The Holder may subscribe for and purchase any lesser number of Common Shares than the number of Common Shares expressed in any Warrant Certificate. In the case of any subscription for a lesser number of Common Shares than expressed in any Warrant Certificate, the Holder hereof shall be entitled to receive, at no cost to the Holder, a new Warrant Certificate in respect of the balance of Warrants not then exercised. Such new Warrant Certificate shall be mailed to the Holder by the Corporation or, at its direction, the transfer agent of the Corporation, contemporaneously with the mailing of the certificate or certificates representing the Common Shares issued pursuant to Section 6 (or if applicable, contemporaneously with delivery of such Common Shares through DTC's Deposit / Withdrawal At Custodian system).

16. If any Warrant Certificate becomes stolen, lost, mutilated or destroyed, the Corporation shall, on such terms as it may in its discretion impose, acting reasonably, issue and sign a new Warrant Certificate of like denomination, tenor and date as the Warrant Certificate so stolen, lost, mutilated or destroyed for delivery to the Holder. The applicant for the issue of a new Warrant Certificate pursuant to this Section shall bear the cost of the issue thereof and in the case of mutilation shall as a condition precedent to the issue thereof, deliver to the Corporation the mutilated Warrant Certificate, and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Corporation such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen as shall be satisfactory to the Corporation in its discretion and the applicant shall also be required to furnish an indemnity and surety bond in amount and form satisfactory to the Corporation in its discretion and shall pay the reasonable charges of the Corporation in connection therewith.

17. The Holder may transfer the Warrants represented hereby by:

- (a) duly completing and executing the transfer form attached as Schedule "B" ("Transfer Form"); and
- (b) surrendering this Warrant Certificate and the completed Transfer Form, together with such other documents as the Corporation may reasonably request, to the Corporation at the address set forth on the Transfer Form or such other office as may be specified by the Corporation, in a written notice to the Holder, from time to time,

provided that all such transfers shall be effected in accordance with all applicable securities laws, and provided that, after such transfer, the term "Holder" shall mean and include any transferee or assignee of the current or any future Holder. If only part of the Warrants evidenced hereby is transferred, the Corporation will deliver to the Holder and the transferee replacement Warrant Certificates substantially in the form of this Warrant Certificate.

18. Neither the issuance and sale of the securities represented by this Warrant Certificate nor the Common Shares into which these securities are exercisable have been registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or applicable state securities laws. These securities may not be offered for sale, sold, transferred or assigned unless registered under the U.S. Securities Act and any applicable state securities laws or unless an exemption from

such registration is available, and the Corporation and its transfer agent has received an opinion of counsel of recognized standing in form and substance reasonably satisfactory to them to such effect.

19. Any certificate representing Common Shares issued upon the exercise of this Warrant may bear the following legends:

UNLESS PERMITTED UNDER APPLICABLE SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY TO OR FOR THE BENEFIT OF A CANADIAN PURCHASER UNTIL THE DATE THAT IS FOUR MONTHS AND A DAY AFTER MARCH 25, 2016. (In the event that no physical certificates are issued, the above constitutes written notice of the legend restriction under applicable Canadian securities laws.)

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED UNLESS REGISTERED UNDER THE 1933 ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE, AND THE CORPORATION AND ITS TRANSFER AGENT HAVE RECEIVED AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THEM TO SUCH EFFECT.

20. The Corporation will maintain a register of holders of Warrants at its principal office. The Corporation may deem and treat the registered holder of any Warrant Certificate as the absolute owner of the Warrants represented thereby for all purposes, and the Corporation shall not be affected by any notice or knowledge to the contrary except where the Corporation is required to take notice by statute or by order of a court of competent jurisdiction. A Holder shall be entitled to the rights evidenced by such Warrant free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate holder thereof and all persons may act accordingly and the receipt by any such Holder of the Common Shares purchasable pursuant to such Warrant shall be a good discharge to the Corporation for the same and the Corporation shall not be bound to inquire into the title of any such Holder except where the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

21. The Corporation shall notify the Holder forthwith of any change of the Corporation's address.

22. All notices to be sent hereunder shall be deemed to be validly given to the registered holders of the Warrants if delivered personally or if sent by registered letter through the post addressed to such holders at their post office addresses appearing in the register of Warrant holders caused to be maintained by the Corporation, and such notice shall be deemed to have been given, if delivered personally when so delivered, and if sent by post on the fifth Business Day next following the post thereof.

23. If for any reason, other than the failure or default of the Holder, the Corporation is unable to issue and deliver the Common Shares or other securities as contemplated herein to the Holder upon the proper exercise by the Holder of the right to purchase any of the Common Shares purchasable upon exercise of the Warrants represented hereby, the Corporation may pay, at its option and in complete satisfaction of its obligations and the rights of the Holder hereunder, to the Holder, in cash, an amount equal to the difference between the Exercise Price and the Current Market Price of such Common Shares on the date of exercise by the Holder, and upon such payment the Corporation shall have no liability or other obligation to the Holder relating to or in respect of the Warrants or this Warrant Certificate.

24. This Warrant Certificate shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

25. If one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Warrant Certificate, but this Warrant Certificate shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

26. This Warrant Certificate shall enure to the benefit of and shall be binding upon the Holder and the Corporation and their respective successors and assigns.

27. In the case of a dispute as to the determination of the Weighted Average Price, the Exercise Price or the arithmetic calculation of the Common Shares for which this Warrant is exercisable, the Corporation shall submit the disputed determinations or arithmetic calculations via facsimile or electronic mail to the Holder. If the Holder and the Corporation are unable to agree upon such determination or calculation of the Exercise Price or of the Common Shares for which this Warrant is exercisable within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Corporation shall submit via facsimile or electronic mail (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Corporation and approved by the Holder or (b) the disputed arithmetic calculation of the Common Shares for which this Warrant is exercisable to the Corporation's independent, outside accountant. The Corporation shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Corporation and the Holder of the results. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be signed by its duly authorized officer.

DATED as of the 25th day of March, 2016.

SPHERE 3D CORP.

Per: /s/ Kurt Kalbfleisch

Kurt Kalbfleisch, Chief Financial
Officer

Schedule "A"

SUBSCRIPTION FORM

TO BE COMPLETED IF WARRANTS ARE TO BE EXERCISED:

TO: SPHERE 3D CORPORATION
9112 Spectrum Center Boulevard, San Diego, California, 92123

The undersigned hereby subscribes for Common Shares of Sphere 3D Corp. according to the terms and conditions set forth in the annexed Warrant Certificate (or such number of other securities or property to which such Warrant Certificate entitles the undersigned to acquire under the terms and conditions set forth in such Warrant Certificate).

Registered Name: _____

Address for Delivery of Common Shares: _____

Attention: _____

Exercise Price Tendered (US\$1.22 per Common Share or as adjusted) US\$_____

Capitalized terms not defined herein shall have the meanings assigned to them in the Warrant Certificate to which this subscription form is attached.

Dated at , this day of , 20 .

WITNESS:

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Holder's Name

Authorized Signature

Title (if applicable)

Signature guaranteed¹:

1. If the Common Shares are to be registered in a name other than the name of the registered Warrant Holder, the signature of the Warrant Holder must be medallion guaranteed by a bank, trust Corporation or a member of a stock exchange in the United States.

Schedule "B"

WARRANT TRANSFER FORM

FOR VALUE RECEIVED, subject to receipt of prior written approval of SPHERE 3D CORP. (the "**Corporation**"), the undersigned (the "**Transferor**") hereby sells, assigns and transfers unto (name) _____ (the "**Transferee**") of (residential address) _____ Warrants of the Corporation registered in the name of the undersigned represented by the within certificate, and irrevocably appoints the Corporation as the attorney of the undersigned to transfer the said securities on the register of transfers for the said Warrants, with full power of substitution.

NOTICE: The signature of this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement or any change whatever, and must be guaranteed by a bank, trust Corporation or a member of a recognized stock exchange. The guarantor must affix a stamp bearing the actual words "Signature Guaranteed".

DATED this day of , 20_.

Signature Guaranteed (Signature of transferring Warrantholder)

Name (please print)

Address

TRANSFeree ACKNOWLEDGMENT

In connection with this transfer the undersigned transferee is delivering a written opinion of U.S. Counsel acceptable to the Corporation to the effect that this transfer of Warrants has been registered under the 1933 Act or is exempt from registration thereunder.

—

(Signature of Transferee)

— _____

Date Name of Transferee (please print)

The Warrants and the common shares issuable upon exercise of the Warrants shall only be transferable in accordance with applicable laws. The Warrants may only be exercised in the manner required by the certificate representing the Warrants and the Warrant Exercise Form attached thereto. Any common shares acquired pursuant to this Warrant shall be subject to applicable hold periods and any certificate representing such common shares will bear restrictive legends.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the “Agreement”) is made and entered into as of this March 25, 2016, by and between Sphere 3D Corp., an Ontario corporation (the “Company”) and MacFarlane Family Ventures, LLC, a Delaware limited liability (“MacFarlane”), with respect to the Warrants and Warrant Shares issued pursuant to that certain Warrant Exchange Agreement dated as of March 25, 2016, by and between the Company and MacFarlane (the “Exchange Agreement”). Capitalized terms used herein have the respective meanings ascribed thereto in the Exchange Agreement unless otherwise defined herein.

The parties hereby agree as follows:

1. Certain Definitions.

As used in this Agreement, the following terms shall have the following meanings:

“Common Shares” means the Company’s common shares, no par value, and any securities into which such shares may hereinafter be reclassified.

“Holder” means MacFarlane, and any Affiliate or permitted transferee of any MacFarlane who is a subsequent holder of any Warrants or Registrable Securities.

“Prospectus” means (i) the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus, and (ii) any “free writing prospectus” as defined in Rule 405 under the 1933 Act.

“Register,” “registered” and “registration” refer to a registration made by preparing and filing a Registration Statement or similar document in compliance with the 1933 Act (as defined below), and the declaration or ordering of effectiveness of such Registration Statement or document.

“Registrable Securities” means (i) the Warrant Shares and (ii) any other securities issued or issuable with respect to or in exchange for Registrable Securities, whether by merger, charter amendment or otherwise; provided, that a security shall cease to be a Registrable Security upon (a) sale pursuant to a Registration Statement or Rule 144 under the 1933 Act, or (b) such security becoming eligible for sale in the United States without restriction by the holder thereof pursuant to Rule 144 without the Company being in compliance with the reporting requirements set forth under Rule 144(d)(1)(i).

“Registration Statement” means any registration statement of the Company filed under the 1933 Act that covers the resale of any of the Registrable Securities in the United States pursuant to

the provisions of this Agreement, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in such Registration Statement.

“SEC” means the U.S. Securities and Exchange Commission.

“Warrants” means the warrants to purchase Common Shares issued to the Holder pursuant to the Exchange Agreement.

“Warrant Shares” means the Common Shares issuable upon the exercise of the Warrants issued to the Holder pursuant to the Exchange Agreement.

“1933 Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“1934 Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2. **Registration.**

(a) Registration Statements.

(i) Promptly following the closing of the issuance of the securities contemplated by the Exchange Agreement (the “Closing Date”) but no later than twenty days (20) days after the Closing Date (the “Filing Deadline”), the Company shall prepare and file with the SEC one Registration Statement on Form F-3 (or, if Form F-3 is not then available to the Company, on such form of registration statement as is then available to effect a registration for resale of the Registrable Securities), covering the resale of the Registrable Securities in the United States. Subject to any SEC comments, such Registration Statement shall include the plan of distribution attached hereto as Exhibit A; provided, however, that no Holder shall be named as an “underwriter” in the Registration Statement without the Holder’s prior written consent. Such Registration Statement also shall cover, to the extent allowable under the 1933 Act and the rules promulgated thereunder (including Rule 416), such indeterminate number of additional Common Shares resulting from stock splits, stock dividends or similar transactions with respect to the Registrable Securities. Such Registration Statement shall not include any Common Shares or other securities for the account of any other holder without the prior written consent of Holder, except as required by any agreement entered into by the Company prior to the date of this Agreement. The Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided in accordance with Section 3(c) to the Holders and their counsel prior to its filing or other submission. If a Registration Statement covering the Registrable Securities is not filed with the SEC on or prior to the Filing Deadline, the Company will make pro rata payments to each Holder, as liquidated damages and not as a penalty, in an amount equal to 2.0% of the product of the Exercise Price (as defined in the Warrants) and the number of Warrant Shares for each 30-day

period or pro rata for any portion thereof following the Filing Deadline for which no Registration Statement is filed with respect to the Registrable Securities. Such payments shall constitute the Holders' exclusive monetary remedy for such events, but shall not affect the right of the Holders to seek injunctive relief. Such payments shall be made to each Holder in cash no later than three (3) Business Days after the end of each such 30-day period.

(ii) Additional Registrable Securities. Upon the written demand of any Holder and upon any change in the Exercise Price (as defined in the applicable Warrant) such that additional Common Shares become issuable upon exercise of the Warrants (the "Additional Shares"), the Company shall prepare and file with the SEC one or more Registration Statements on Form F-3 or amend the Registration Statement filed pursuant to clause (i) above, if such Registration Statement has not previously been declared effective (or, if Form F-3 is not then available to the Company, on such form of registration statement as is then available to effect a registration for resale of the Additional Shares) covering the resale of the Additional Shares, but only to the extent the Additional Shares are not at the time covered by an effective Registration Statement. Subject to any SEC comments, such Registration Statement shall include the plan of distribution attached hereto as Exhibit A; provided, however, that no Holder shall be named as an "underwriter" in the Registration Statement without the Holder's prior written consent. Such Registration Statement also shall cover, to the extent allowable under the 1933 Act and the rules promulgated thereunder (including Rule 416), such indeterminate number of additional Common Shares resulting from stock splits, stock dividends or similar transactions with respect to the Additional Shares. Such Registration Statement shall not include any Common Shares or other securities for the account of any other holder without the prior written consent of Holder, except as required by any agreement entered into by the Company prior to the date of this Agreement. The Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided in accordance with Section 3(c) to the Holders and their counsel prior to its filing or other submission. If a Registration Statement covering the Additional Shares is required to be filed under this Section 2(a) (ii) and is not filed with the SEC within ten (10) Business Days of the request of any Holder or upon the occurrence of any of the events specified in this Section 2(a)(ii) (the "Additional Shares Filing Deadline"), the Company will make pro rata payments to each Holder, as liquidated damages and not as a penalty, in an amount equal to 2.0% of the product of the Exercise Price (as defined in the Warrants) and the number of Warrant Shares for each 30-day period or pro rata for any portion thereof following the Additional Shares Filing Deadline for which no Registration Statement is filed with respect to the Additional Shares. Such payments shall constitute the Holders' exclusive monetary remedy for such events, but shall not affect the right of the Holders to seek injunctive relief. Such payments shall be made to each Holder in cash no later than three (3) Business Days after the end of each such 30-day period.

(b) Expenses. The Company will pay all expenses associated with each registration, including filing and printing fees, the Company's counsel and accounting fees and

expenses, costs associated with clearing the Registrable Securities for sale under applicable United States federal and state securities laws, listing fees, reasonable incurred fees and expenses of one counsel to the Holders in connection with clearing the Registrable Securities for sale under applicable United States federal and state securities laws, and the Holders' other reasonable incurred expenses in connection with the registration, but excluding discounts, commissions, fees of underwriters, selling brokers, dealer managers or similar securities industry professionals with respect to the Registrable Securities being sold.

(c) Effectiveness.

(i) The Company shall use commercially reasonable efforts to have the Registration Statement declared effective as soon as practicable. The Company shall notify the Holders by facsimile or e-mail as promptly as practicable, and in any event, within twenty-four (24) hours, after any Registration Statement is declared effective and shall simultaneously provide the Holders with copies of any related Prospectus to be used in connection with the sale or other disposition of the securities covered thereby. If (A)(x) a Registration Statement covering the Registrable Securities is not declared effective by the SEC prior to the earlier of (i) five (5) Business Days after the SEC shall have informed the Company that no review of the Registration Statement will be made or that the SEC has no further comments on the Registration Statement or (ii) ninety (90) days after the Registration Statement is first filed with the SEC or (y) a Registration Statement covering Additional Shares is not declared effective by the SEC prior to the earlier of (i) five (5) Business Days after the SEC shall have informed the Company that no review of the Registration Statement will be made or that the SEC has no further comments on the Registration Statement or (ii) the one hundred twentieth (120th) day after the Additional Shares Filing Deadline, or (B) after a Registration Statement has been declared effective by the SEC, sales cannot be made pursuant to such Registration Statement for any reason (including, without limitation, by reason of a stop order, or the Company's failure to update the Registration Statement), but excluding any Allowed Delay (as defined below) or the inability of any Holder to sell the Registrable Securities covered thereby due to market conditions, then the Company will make pro rata payments to each Holder, as liquidated damages and not as a penalty, in an amount equal to 2.0% of the product of the Exercise Price (as defined in the Warrants) and the number of Warrant Shares for each 30-day period or pro rata for any portion thereof following the date by which such Registration Statement should have been effective (the "Blackout Period"). Such payments shall constitute the Holders' exclusive monetary remedy for such events, but shall not affect the right of the Holders to seek injunctive relief. The amounts payable as liquidated damages pursuant to this paragraph shall be paid monthly within three (3) Business Days of the last day of each month following the commencement of the Blackout Period until the termination of the Blackout Period. Such payments shall be made to each Holder in cash.

(ii) For not more than twenty (20) consecutive days or for a total of not more than forty-five (45) days in any twelve (12) month period, the Company may suspend the use of any Prospectus included in any Registration Statement contemplated by this Section in the event that the Company determines in good faith that such suspension is necessary to (A) delay the disclosure of material non-public information concerning the Company, the disclosure of which at the time is not, in the good faith opinion of the Company, in the best interests of the Company or (B) amend or supplement the affected Registration Statement or the related Prospectus so that such Registration Statement or Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the case of the Prospectus in light of the circumstances under which they were made, not misleading (an “Allowed Delay”); provided, that the Company shall promptly (a) notify each Holder in writing of the commencement of and the reasons for an Allowed Delay, but shall not (without the prior written consent of a Holder) disclose to such Holder any material non-public information giving rise to an Allowed Delay, (b) advise the Holders in writing to cease all sales under the Registration Statement until the end of the Allowed Delay and (c) use commercially reasonable efforts to terminate the Allowed Delay as promptly as practicable.

(d) Rule 415; Cutback If at any time the SEC takes the position that the offering of some or all of the Registrable Securities in a Registration Statement is not eligible to be made on a delayed or continuous basis under the provisions of Rule 415 under the 1933 Act or requires any Holder to be named as an “underwriter”, the Company shall use its commercially reasonable efforts to persuade the SEC that the offering contemplated by the Registration Statement is a valid secondary offering and not an offering “by or on behalf of the issuer” as defined in Rule 415 and that none of the Holders is an “underwriter”. The Holders shall have the right to have their counsel participate in any meetings or discussions with the SEC regarding the SEC’s position and to comment or have their counsel comment on any written submission made to the SEC with respect thereto. No such written submission shall be made to the SEC to which the Holders’ counsel reasonably objects. In the event that, despite the Company’s commercially reasonable best efforts and compliance with the terms of this Section 2(d), the SEC refuses to alter its position, the Company shall (i) remove from the Registration Statement such portion of the Registrable Securities (the “Cut Back Shares”) and/or (ii) agree to such restrictions and limitations on the registration and resale of the Registrable Securities as the SEC may require to assure the Company’s compliance with the requirements of Rule 415 (collectively, the “SEC Restrictions”); provided, however, that the Company shall not agree to name any Holder as an “underwriter” in such Registration Statement without the prior written consent of such Holder (and that the Company shall not be required to do so even if such Holder consents to be named as an underwriter). Any cut-back imposed on the Holders pursuant to this Section 2(d) shall be allocated among the Holders on a pro rata basis, unless the SEC Restrictions otherwise require or provide or the Holders otherwise agree. No liquidated damages shall accrue as to any Cut Back Shares until such date as the Company is able

to effect the registration of such Cut Back Shares in accordance with any SEC Restrictions (such date, the “Restriction Termination Date” of such Cut Back Shares), subject to the following sentence. From and after the Restriction Termination Date applicable to any Cut Back Shares, all of the provisions of this Section 2 (including the liquidated damages provisions) shall again be applicable to such Cut Back Shares; provided, however, that (i) the Filing Deadline and the Additional Shares Filing Deadline, as applicable, for the Registration Statement including such Cut Back Shares shall be ten (10) Business Days after such Restriction Termination Date, and (ii) the date by which the Company is required to obtain effectiveness with respect to such Cut Back Shares under Section 2(c) shall be the ninetieth (90th) day immediately after the Restriction Termination Date.

3. Company Obligations.

The Company will use commercially reasonable efforts to effect the registration of the Registrable Securities in accordance with the terms hereof, and pursuant thereto the Company will, as expeditiously as possible:

(a) use commercially reasonable efforts to cause such Registration Statement to become effective and to remain continuously effective for a period that will terminate upon the earlier of (i) the date on which all Registrable Securities covered by such Registration Statement as amended from time to time, have been sold, and (ii) the date on which all Registrable Securities covered by such Registration Statement may be sold without restriction pursuant to Rule 144 without the Company being in compliance with the reporting requirements set forth under Rule 144(d)(1)(i) (the “Effectiveness Period”) and advise the Holders in writing when the Effectiveness Period has expired;

(b) prepare and file with the SEC such amendments and post-effective amendments to the Registration Statement and the Prospectus as may be necessary to keep the Registration Statement effective for the Effectiveness Period and to comply with the provisions of the 1933 Act and the 1934 Act with respect to the distribution of all of the Registrable Securities covered thereby;

(c) provide copies to and permit counsel designated by the Holders to review each Registration Statement and all amendments and supplements thereto no fewer than five (5) days prior to their filing with the SEC and not file any document to which such counsel reasonably objects;

(d) furnish to the Holders and their legal counsel (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company (but not later than two (2) Business Days after the filing date, receipt date or sending date, as the case may be) one (1) copy of any Registration Statement and any amendment thereto, each preliminary

prospectus and Prospectus and each amendment or supplement thereto, and each letter written by or on behalf of the Company to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion of any thereof which contains information for which the Company has sought confidential treatment), and (ii) such number of copies of a Prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as each Holder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Holder that are covered by the related Registration Statement;

(e) use commercially reasonable efforts to (i) prevent the issuance of any stop order or other suspension of effectiveness and, (ii) if such order is issued, obtain the withdrawal of any such order at the earliest possible moment;

(f) prior to any public offering of Registrable Securities, use commercially reasonable efforts to register or qualify or cooperate with the Holders and their counsel in connection with the registration or qualification of such Registrable Securities for offer and sale under the U.S. state securities or blue sky laws of such jurisdictions requested by the Holders and do any and all other commercially reasonable acts or things necessary or advisable to enable the distribution in such jurisdictions of the Registrable Securities covered by the Registration Statement; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (i) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(f), (ii) subject itself to general taxation in any jurisdiction where it would not otherwise be so subject but for this Section 3(f), or (iii) file a general consent to service of process in any such jurisdiction;

(g) use commercially reasonable efforts to cause all Registrable Securities covered by a Registration Statement to be listed on each securities exchange, interdealer quotation system or other market on which similar securities issued by the Company are then listed;

(h) immediately notify the Holders, at any time prior to the end of the Effectiveness Period, upon discovery that, or upon the happening of any event as a result of which, the Prospectus includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and promptly prepare, file with the SEC and furnish to such holder a supplement to or an amendment of such Prospectus as may be necessary so that such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing; and

(i) otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC under the 1933 Act and the 1934 Act, including, without limitation, Rule 172 under the 1933 Act, file any final Prospectus, including any supplement or amendment thereof, with the SEC pursuant to Rule 424 under the 1933 Act, promptly inform the Holders in writing if, at any time during the Effectiveness Period, the Company does not satisfy the conditions specified in Rule 172 and, as a result thereof, the Holders are required to deliver a Prospectus in connection with any disposition of Registrable Securities and take such other actions as may be reasonably necessary to facilitate the registration of the Registrable Securities hereunder; and make available to its security holders, as soon as reasonably practicable, but not later than the Availability Date (as defined below), an earnings statement covering a period of at least twelve (12) months, beginning after the effective date of each Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act, including Rule 158 promulgated thereunder (for the purpose of this subsection 3(i), “Availability Date” means the 45th day following the end of the fourth fiscal quarter that includes the effective date of such Registration Statement, except that, if such fourth fiscal quarter is the last quarter of the Company’s fiscal year, “Availability Date” means the ninetieth (90th) day after the end of such fourth fiscal quarter).

(j) With a view to making available to the Holders the benefits of Rule 144 (or its successor rule) and any other rule or regulation of the SEC that may at any time permit the Holders to sell Common Shares to the public without registration, the Company covenants and agrees to: (i) make and keep public information available, as those terms are understood and defined in Rule 144, until the earlier of (A) six months after such date as all of the Registrable Securities may be sold without restriction by the holders thereof pursuant to Rule 144 or any other rule of similar effect or (B) such date as all of the Registrable Securities shall have been resold; (ii) file with the SEC in a timely manner all reports and other documents required of the Company under the 1934 Act; and (iii) furnish to each Holder upon request, as long as such Holder owns any Registrable Securities, (A) a written statement by the Company that it has complied with the reporting requirements of the 1934 Act, (B) a copy of the Company’s most recent Annual Report on Form 40-F, and (C) such other information as may be reasonably requested in order to avail such Holder of any rule or regulation of the SEC that permits the selling of any such Registrable Securities without registration.

4. Due Diligence Review; Information. The Company shall make available, during normal business hours and upon prior written notice, for inspection and review by the Holders, advisors to and representatives of the Holders (who may or may not be affiliated with the Holders and who are reasonably acceptable to the Company), all financial and other records, all SEC Filings (as defined in the Exchange Agreement) and other filings with the SEC, and all other corporate documents and properties of the Company as may be reasonably necessary for the purpose of such review, and cause the Company’s officers, directors and employees, within a reasonable time period,

to supply all such information reasonably requested by the Holders or any such representative, advisor or underwriter in connection with such Registration Statement (including, without limitation, in response to all questions and other inquiries reasonably made or submitted by any of them), prior to and from time to time after the filing and effectiveness of the Registration Statement for the sole purpose of enabling the Holders and such representatives, advisors and underwriters and their respective accountants and attorneys to conduct initial and ongoing due diligence with respect to the Company and the accuracy of such Registration Statement.

Notwithstanding the foregoing, the Company shall not disclose or provide any access to material nonpublic information to the Holders, or to advisors to or representatives of the Holders, in connection with the registration of the Registrable Securities unless prior to disclosure of such information the Company identifies such information as being material nonpublic information and provides the Holders, such advisors and representatives with the opportunity to accept or refuse to accept such material nonpublic information for review and any Holder wishing to obtain such information enters into an appropriate confidentiality agreement with the Company with respect thereto.

5. Obligations of the Holders.

(a) Each Holder shall furnish in writing to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least five (5) Business Days prior to the first anticipated filing date of any Registration Statement, the Company shall notify each Holder of the information the Company requires from such Holder if such Holder elects to have any of the Registrable Securities included in the Registration Statement. A Holder shall provide such information to the Company at least two (2) Business Days prior to the first anticipated filing date of such Registration Statement if such Holder elects to have any of the Registrable Securities included in the Registration Statement.

(b) Each Holder, by its acceptance of the Registrable Securities agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of a Registration Statement hereunder, unless such Holder has notified the Company in writing of its election to exclude all of its Registrable Securities from such Registration Statement.

(c) Each Holder agrees that, upon receipt of any notice from the Company of either (i) the commencement of an Allowed Delay pursuant to Section 2(c)(ii) or (ii) the happening of an event pursuant to Section 3(h) hereof, such Holder will immediately discontinue disposition

of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities, until the Holder is advised by the Company that such dispositions may again be made.

6. Indemnification.

(a) Indemnification by the Company. The Company will indemnify and hold harmless each Holder and its officers, directors, members, employees and agents, successors and assigns, and each other person, if any, who controls such Holder within the meaning of the 1933 Act, against any losses, claims, damages or liabilities, joint or several, to which they may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement or omission or alleged omission of any material fact contained in any Registration Statement, any preliminary Prospectus or final Prospectus, or any amendment or supplement thereof; (ii) any blue sky application or other document executed by the Company specifically for that purpose or based upon written information furnished by the Company filed in any state or other jurisdiction in order to qualify any or all of the Registrable Securities under the securities laws thereof (any such application, document or information herein called a “Blue Sky Application”); (iii) the omission or alleged omission to state in a Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading; (iv) any violation by the Company or its agents of any rule or regulation promulgated under the 1933 Act applicable to the Company or its agents and relating to action or inaction required of the Company in connection with such registration; or (v) any failure to register or qualify the Registrable Securities included in any such Registration Statement in any state where the Company or its agents has affirmatively undertaken or agreed in writing that the Company will undertake such registration or qualification on a Holder’s behalf and will reimburse such Holder, and each such officer, director or member and each such controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such Holder or any such controlling person in writing specifically for use in such Registration Statement, Prospectus or Blue Sky Application or any amendment or supplement thereto.

(b) Indemnification by the Holders. Each Holder agrees, severally but not jointly, to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors, officers, employees, shareholders and each person who controls the Company (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expense (including reasonable attorney fees) resulting from any untrue statement of a material fact or any omission of a material fact required to be stated in the Registration Statement, a Prospectus or a preliminary Prospectus or a Blue Sky Application or amendment or supplement thereto or necessary to make

the statements therein not misleading, to the extent, but only to the extent that such untrue statement or omission is contained in any information furnished in writing by such Holder to the Company specifically for inclusion in such Registration Statement or Prospectus or amendment or supplement thereto, provided, however, that such Holder will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by Company to such Holder in writing in connection with such Registration Statement, Prospectus or Blue Sky Application or any amendment or supplement thereto. In no event shall the liability of a Holder be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such Holder in connection with any claim relating to this Section 6 and the amount of any damages such Holder has otherwise been required to pay by reason of such untrue statement or omission) received by such Holder upon the sale of the Registrable Securities included in the Registration Statement giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. Any person entitled to indemnification hereunder shall (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such person unless (a) the indemnifying party has agreed to pay such fees or expenses, or (b) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such person or (c) in the reasonable judgment of any such person, based upon written advice of its counsel, a conflict of interest exists between such person and the indemnifying party with respect to such claims (in which case, if the person notifies the indemnifying party in writing that such person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such person); and provided, further, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations hereunder, except to the extent that such failure to give notice shall materially adversely affect the indemnifying party in the defense of any such claim or litigation. It is understood that the indemnifying party shall not, in connection with any proceeding in the same jurisdiction, be liable for fees or expenses of more than one separate firm of attorneys at any time for all such indemnified parties. No indemnifying party will, except with the consent of the indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. No indemnifying party will be liable to any indemnified party under this Agreement for any settlement by such indemnified party effected without the

indemnifying party's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

(d) Contribution. If for any reason the indemnification provided for in the preceding paragraphs (a) and (b) is unavailable to an indemnified party or insufficient to hold it harmless, other than as expressly specified therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations. No person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the 1933 Act shall be entitled to contribution from any person not guilty of such fraudulent misrepresentation. In no event shall the contribution obligation of a holder of Registrable Securities be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such holder in connection with any claim relating to this Section 6 and the amount of any damages such holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission) received by it upon the sale of the Registrable Securities giving rise to such contribution obligation.

7. Miscellaneous.

(a) Amendments and Waivers. This Agreement may be amended only by a writing signed by the Company and the Holders. The Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the Holders.

(b) Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by electronic mail, telex or telecopier, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by mail, then such notice shall be deemed given upon the earlier of (a) receipt of such notice by the recipient or (b) three days after such notice is deposited in first class mail, postage prepaid, and (iv) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed to the party to be notified at the address as follows, or at such other address as such party may designate by ten days' advance written notice to the other party:

If to the Company:

Sphere 3D Corp.
9112 Spectrum Center Boulevard

San Diego, California 92123
Attention: Kurt Kalbfleisch, Chief Financial Officer
Fax: (858) 495-4267

With a copy (which shall not constitute notice) to:

O'Melveny & Myers LLP
2756 Sand Hill Road
Menlo Park, California 94025
Attention: Warren T. Lazarow, Esq.
Paul L. Sieben, Esq.
Fax: (650) 473-2601

If to the Holders:

to the addresses set forth on the signature pages hereto.

With a copy (which shall not constitute notice) to:

If prior to May 1, 2016
Paul Hastings LLP
75 E. 55th Street
New York, NY 10022
Attention: Scott Saks, Esq.

If on or following May 1, 2016
Paul Hastings LLP
200 Park Avenue
New York, NY 10166
Attention: Scott Saks, Esq.

(c) Assignments and Transfers by Holders. The provisions of this Agreement shall be binding upon and inure to the benefit of the Holders and their respective successors and assigns. A Holder may transfer or assign, in whole or from time to time in part, to one or more persons its rights hereunder in connection with the transfer of Registrable Securities by such Holder to such person, provided that such Holder complies with all laws applicable thereto and provides written notice of assignment to the Company promptly after such assignment is effected.

(d) Assignments and Transfers by the Company. This Agreement may not be assigned by the Company (whether by operation of law or otherwise) without the prior written consent of the Holders, provided, however, that in the event that the Company is a party to a merger, amalgamation, consolidation, share exchange or similar business combination transaction in which the Common Shares is converted into the equity securities of another Person, from and after the effective time of such transaction, such Person shall, by virtue of such transaction, be deemed to have assumed the obligations of the Company hereunder, the term “Company” shall be deemed to refer to such Person and the term “Registrable Securities” shall be deemed to include the securities received by the Holders in connection with such transaction unless such securities are otherwise freely tradable by the Holders after giving effect to such transaction.

(e) Benefits of the Agreement. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(f) Counterparts; Faxes. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may also be executed via facsimile, which shall be deemed an original.

(g) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(h) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof but shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any provisions hereof prohibited or unenforceable in any respect.

(i) Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

(j) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(k) Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York applicable to agreements made and to be performed entirely within the State of New York. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **TO THE EXTENT ALLOWABLE UNDER APPLICABLE LAW, EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Agreement or caused their duly authorized officers to execute this Agreement as of the date first above written.

The Company: SPHERE 3D CORP.

By: /s/ Kurt Kalbfleisch
Name: Kurt Kalbfleisch
Title: Chief Financial Officer

The Holder: MACFARLANE FAMILY VENTURES, LLC

By: Victor B. MacFarlane
Name: Victor B. MacFarlane
Title: Manager

Address for Notice:

Plan of Distribution

We are registering the common shares issuable upon exercise of the warrants to permit the resale of the common shares by the selling shareholders. We will not receive any of the proceeds from the sale by the selling shareholders of the common shares. We will bear all fees and expenses incident to our obligation to register the common shares.

The selling shareholders, which as used herein includes donees, pledgees, transferees or other successors-in-interest selling common shares or interests in common shares received after the date of this prospectus from a selling shareholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their common shares or interests in common shares on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling shareholders may use any one or more of the following methods when disposing of shares or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales effected after the date the registration statement of which this prospectus is a part is declared effective by the SEC;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- broker-dealers may agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted by applicable law.

If the selling shareholders effect such transactions by selling common shares to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling shareholders or commissions from purchasers of the common shares for whom they may act as agent or to whom they may sell as principal (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved). The selling shareholders may, from time to time, pledge or grant a security interest in some or all of the common shares owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the common shares, from time to time, under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling shareholders to include the pledgee, transferee or other successors in interest as selling shareholders under this prospectus. The selling shareholders also may transfer the common shares in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our common shares or interests therein, the selling shareholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common shares in the course of hedging the positions they assume. The selling shareholders may also sell shares of our common shares short and deliver these securities to close out their short positions, or loan or pledge the common shares to broker-dealers that in turn may sell these securities. The selling shareholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the selling shareholders from the sale of the common shares offered by them will be the aggregate purchase price of the common shares less aggregate discounts or commissions, if any. Each of the selling shareholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common shares to be made directly or through agents. We will not receive any of the proceeds from this offering. Upon any exercise of the warrants by payment of cash, however, we will receive the exercise price of the warrants.

The selling shareholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided that they meet the criteria and conform to the requirements of that rule.

The selling shareholders and any underwriters, broker-dealers or agents that participate in the sale of the common shares or interests therein may be, "underwriters" within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be underwriting discounts and commissions under the Securities

Act. Selling shareholders who are “underwriters” within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act.

To the extent required, the common shares to be sold, the names of the selling shareholders, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the common shares may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the common shares may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling shareholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling shareholders and their affiliates. In addition, to the extent applicable we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling shareholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling shareholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

We have agreed to indemnify the selling shareholders against liabilities, including liabilities under the Securities Act and state securities laws, relating to the registration of the shares offered by this prospectus.

We have agreed with the selling shareholders to keep the registration statement of which this prospectus constitutes a part effective until the earlier of (1) such time as all of the shares covered by this prospectus have been disposed of pursuant to and in accordance with the registration statement or (2) the date on which the shares may be sold without restriction pursuant to Rule 144 of the Securities Act without the Company being in compliance with the reporting requirements set forth under Rule 144(d)(1)(i).

**CONSENT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement of Sphere 3D Corp. on Form S-8, of our report dated March 30, 2016, relating to the consolidated financial statements of Sphere 3D Corp. (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the Company's going concern uncertainty), appearing in this Form 40-F (No. 001-36532) for the year ended December 31, 2015 filed with the Securities and Exchange Commission.

/s/ Moss Adams LLP

Moss Adams LLP

San Diego, California, U.S.A

March 30, 2016

CERTIFICATION

I, Eric L. Kelly, certify that:

1. I have reviewed this annual report on Form 40-F of Sphere 3D Corp.;
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 issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 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 issuer and have:
 - (a) 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 issuer, 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;
 - (b) 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 principles;
 - (c) Evaluated the effectiveness of the issuer'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
 - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) 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 issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2016

/s/ Eric L. Kelly

Eric L. Kelly

Chief Executive Officer

CERTIFICATION

I, Kurt L. Kalbfleisch, certify that:

1. I have reviewed this annual report on Form 40-F of Sphere 3D Corp.;
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 issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 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 issuer and have:
 - (a) 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 issuer, 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;
 - (b) 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 principles;
 - (c) Evaluated the effectiveness of the issuer'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
 - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) 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 issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2016

/s/ Kurt L. Kalbfleisch

Kurt L. Kalbfleisch

Senior Vice-President and
Chief Financial Officer

**CERTIFICATION 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 filing of the Annual Report on Form 40-F for the fiscal year ended December 31, 2015 (the "Report") by Sphere 3D Corp. (the "Company"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: March 30, 2016

/s/ Eric L. Kelly

Eric L. Kelly

Chief Executive Officer

**CERTIFICATION 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 filing of the Annual Report on Form 40-F for the fiscal year ended December 31, 2015 (the "Report") by Sphere 3D Corp. (the "Company"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: March 30, 2016

/s/ Kurt L. Kalbfleisch

Kurt L. Kalbfleisch

Senior Vice-President and
Chief Financial Officer