RACKSPACE HOSTING, INC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS STANDARDS AND PROCEDURES WITH RESPECT TO

RELATED PERSON TRANSACTIONS

A. Standard Statement

Rackspace Hosting, Inc., a Delaware Corporation (the "Company"), recognizes that Related Person Transactions (as defined below) can present potential or actual conflicts of interest and create the appearance that Company decisions are based on considerations other than the best interests of the Company and its stockholders. Accordingly, as a general matter, it is the Company's preference to avoid Related Person Transactions. Nevertheless, the Company recognizes that there are situations where Related Person Transactions may be in, or may not be inconsistent with, the best interests of the Company and its stockholders, including but not limited to situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Company provides products or services to Related Parties (as defined below) on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, the Company has adopted the procedures set forth below for the review, approval, or ratification of Related Person Transactions (the "Standard").

Under this Standard, any "Related Person Transaction," other than transactions for which Audit Committee approval is not required by this Standard, may be consummated or shall continue only if the Audit Committee shall approve or ratify such transaction in accordance with the guidelines set forth in this Standard,

This Standard has been approved by the Audit Committee of our Board of Directors (the "Committee"). The Committee will review and may amend this Standard from time to time.

B. Related Person Transactions

For the purposes of this Standard, a "<u>Related Person Transaction</u>" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds \$120,000, and in which any Related Person had, has or will have a direct or indirect material interest, other than transactions available to all U.S. employees of the Company.

For purposes of this Standard, a "Related Person" means:



- 1. any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company;
- 2. any person or entity known to be the beneficial owner of more than 5% of any class of the Company's voting securities;
- 3. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and
- 4. any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

C. Identification of Related Persons

1. <u>Directors, Executive Officers and Nominees.</u> On an annual basis, each director and executive officer shall complete and submit to the Company's General Counsel a questionnaire designed to elicit information about any potential Related Person Transaction, and such directors and executive officers shall also be instructed and periodically reminded of their obligation to inform the office of the Company's General Counsel of every proposed transaction or relationship they reasonably believe may possibly constitute a Related Person Transaction. As a general matter, any employee or director of the Company who becomes aware of a conflict of interest is instructed to discuss the matter promptly with, among others, a supervisor or manager.

Any person nominated to stand for election as a director shall submit to the General Counsel the questionnaire and the information described above no later than the date of his or her nomination.

Any person who is appointed as a director or an executive officer shall submit to the General Counsel the questionnaire and information described above prior to such person's appointment as a director or executive officer, except in the case of an executive officer where due to the circumstances it is not practicable to submit the questionnaire and information in advance, in which case the information shall be submitted as soon as reasonably practicable following the appointment.

The Legal Department shall prepare, maintain, and update the list of Related Persons provided by the executive officers and directors, or as otherwise made known to the Committee or the Legal Department, as appropriate.

2. <u>Five Percent Owners</u>. The Legal Department shall periodically examine the SEC website and such other resources as the General Counsel may deem appropriate in order to identify all persons or entities that may be or have become the beneficial holders of five percent (5%) or more of any class of the Company's voting securities. At the time the Company

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becomes aware of a person's status as a beneficial owner of 5% or more of any class of the Company's voting securities, the Legal Department shall create a list, to the extent the information is readily available, of (a) if the person is an individual, the same information as is requested of directors and executive officers under this Standard and (b) if the person is a firm, corporation or other entity, a list of principals or executive officers of the firm, corporation or entity, and shall update the list on an annual basis.

D. Dissemination of Related Person Master List

The Legal Department shall compile the information collected pursuant to the procedures described in Section C above and create a master list of Related Persons to which it is made aware through the questionnaires described in Section C above, or otherwise. The Legal Department shall distribute the master list (and the periodic updates thereof) to (a) business unit and function/department leaders responsible for purchasing goods or services for the Company or licensing or selling the Company's goods or services and (b) the director of Accounts Payable and the director of Accounts Receivable. The recipients of the master list shall utilize the information contained therein, in connection with their respective business units, departments and areas of responsibility, to effectuate this Standard.

E. Audit Committee Approval

The Board of Directors has determined that the Audit Committee of the Board is best suited to review and approve Related Person Transactions. Accordingly, at each fiscal year's last regularly scheduled Committee meeting, management shall recommend Related Person Transactions to be entered into, or continued, by the Company for the coming fiscal year, including the proposed value of such transactions, if applicable. After review, the Committee shall approve or disapprove such transactions. At each subsequent regularly scheduled meeting of the Committee during the fiscal year, management shall update the Committee as to any material change to those proposed transactions.

In the event management recommends any further Related Person Transactions subsequent to the first fiscal year meeting, such transactions shall be presented to the Committee for approval prior to the consummation of the Related Person Transaction. Further, the Committee approval shall be obtained prior to consummating any Related Person Transaction.

In determining whether to approve a Related Person Transaction, the Committee will take into account, among other factors it deems appropriate, whether the Related Person Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.

No director shall participate in any approval of a Related Person Transaction for which he or she is a Related Person.

If a Related Person Transaction is of the type that will be ongoing, the Committee may establish guidelines for the Company to follow in its ongoing dealings with the Related Person. Thereafter, the Committee, from time-to-time as the Committee deems appropriate, shall review and assess such ongoing relationships with the Related Person to assess whether they are in experience fanatical support



compliance with the Committee's guidelines, if any, and that the Related Person Transaction remains appropriate.

F. Transactions Exempted from Approval Requirement

The following transactions shall not require Committee approval:

- 1. Any employment by the Company of an executive officer of the Company if:
 - a. the compensation is required to be reported in the Company's proxy statement or annual report on Form 10-K pursuant to Item 402 of Regulation S-K (generally applicable to "named executive officers"); or
 - b. the executive officer is not a named executive officer, *provided that* the executive officer is not an immediate family member of any other executive officer or any director of the Company and the Company's Compensation Committee approved (or recommended that the Board approve) such compensation.
- 2. Any compensation paid to a director if the compensation is required to be reported in the Company's proxy statement or Annual Report on Form 10-K pursuant to Item 402 of Regulation S-K.
- 3. Any transaction with another company at which a Related Person's only relationship is as an employee (excluding executive officers or directors) or beneficial owner of less than 5% of that company's shares.
- 4. Any transaction where the Related Person's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock received the same benefit on a *pro rata* basis (*e.g.* dividends).
- 5. Transactions available to all employees generally.

G. Disclosure

All Related Person Transactions that are required to be disclosed in the Company's filings with the SEC, as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.

The material features of this Standard shall be disclosed in the Company's annual report on Form 10-K or in the Company's proxy statement, as required by applicable laws, rules and regulations.

*(Adopted July 18, 2008; Amended on April 30, 2012)

