SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002.**

or

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

Commission file number 0-27275

Akamai Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**04-3432319**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

500 Technology Square

Cambridge, MA 02139
(617) 444-3000
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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

The number of shares outstanding of the registrant's common stock as of August 9, 2002: 116,414,704 shares.

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AKAMAI TECHNOLOGIES, INC.

FORM 10-Q

For the Quarterly Period Ended June 30, 2002

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

AKAMAI TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2002	December 31, 2001
	(In thousands, except share and per share data) (Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 88,141	$ 78,774
Marketable securities (including restricted securities of $7,881 and $11,166 at June 30, 2002 and December 31, 2001, respectively)	62,788	113,906
Accounts receivable, net of allowance for doubtful accounts of $2,345 and $3,832 at June 30, 2002 and December 31, 2001, respectively	17,032	20,067
Prepaid expenses and other current assets	13,145	15,252
Total current assets	181,106	227,999
Property and equipment, net	97,458	132,237
Restricted marketable securities	9,313	17,831
Goodwill (Note 8)	4,937	3,979
Other intangible assets, net (Note 8)	6,935	15,372
Other assets	12,453	24,060
Total assets	$ 312,202	$ 421,478
Liabilities and Stockholders' (Deficit) Equity		
Current liabilities:		
Accounts payable	$ 22,175	$ 32,076
Accrued expenses	25,075	27,986
Accrued interest payable	8,250	8,250
Deferred revenue	4,181	4,948
Current portion of obligations under capital leases and vendor financing	1,313	405
Current portion of accrued restructuring (Note 11)	13,268	17,633
Total current liabilities	74,262	91,298
Obligations under capital leases and vendor financing, net of current portion	1,569	113
Accrued restructuring, net of current portion (Note 11)	4,336	10,010
Other liabilities	2,725	2,823
Convertible notes	300,000	300,000
Total liabilities	382,892	404,244
Commitments and contingencies (Note 12)	—	—
Stockholders' (deficit) equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding at June 30, 2002 and December 31, 2001	—	—
Common stock, $0.01 par value; 700,000,000 shares authorized; 116,396,797 shares issued and outstanding at June 30, 2002; 115,099,317 shares issued and outstanding at December 31, 2001	1,164	1,151
Additional paid-in capital	3,436,918	3,438,706
Deferred compensation	(23,722)	(38,888)
Notes receivable from officers for stock	(3,406)	(3,342)
Accumulated other comprehensive loss	(466)	(515)
Accumulated deficit	(3,481,178)	(3,379,878)
Total stockholders' (deficit) equity	(70,690)	17,234
Total liabilities and stockholders' (deficit) equity	$ 312,202	$ 421,478

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

AKAMAI TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
	(In thousands, except share and per share data) (Unaudited)			
Revenue:				
Service	$ 31,251	$ 35,569	$ 66,168	$ 67,833
License	2,517	2,322	2,981	5,822
Service and license from related parties (Note 9)	2,554	5,250	5,100	9,695
Total revenue	36,322	43,141	74,249	83,350
Cost and operating expenses:				
Cost of service (excludes $11,687, $10,276, $23,494 and $19,588, respectively, of network-related depreciation included in depreciation below)(1)	10,946	16,439	22,188	35,273
Research and development(1)	4,624	9,595	9,493	20,879
Sales and marketing(1)	15,083	21,085	29,939	45,413
General and administrative(1)	15,215	24,532	29,181	47,154
Depreciation	20,602	18,340	40,612	34,792
Amortization of goodwill	—	1,093	—	235,732
Amortization of other intangible assets	2,231	4,299	7,468	8,598
Impairment of goodwill	—	—	—	1,912,840
Equity-related compensation	4,646	11,038	11,017	15,552
Restructuring charge (Note 11)	602	26,194	13,011	26,194
Total cost and operating expenses	73,949	132,615	162,909	2,382,427
Loss from operations	(37,627)	(89,474)	(88,660)	(2,299,077)
Interest expense, net	(3,733)	(1,637)	(7,307)	(1,056)
Loss on investments, net (Note 6)	(759)	(1,153)	(5,087)	(14,747)
Loss before provision for income taxes	(42,119)	(92,264)	(101,054)	(2,314,880)
Provision for income taxes	123	344	246	508
Net loss	$ (42,242)	$ (92,608)	$(101,300)	$(2,315,388)
Basic and diluted net loss per share	$ (0.38)	$ (0.91)	$ (0.91)	$ (23.11)
Weighted average common shares outstanding	112,253	101,629	110,973	100,205

(1) Excludes non-cash equity-related compensation presented separately as follows:

Cost of service	$ 172	$ 195	$ 327	$ 267
Research and development	585	3,429	2,104	4,827
Sales and marketing	1,536	5,087	3,692	6,644
General and administrative	2,353	2,327	4,894	3,814
	$4,646	$11,038	$11,017	$15,552

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

AKAMAI TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2002	2001
	(In thousands) (Unaudited)	
Cash flows from operating activities:		
Net loss	$(101,300)	$(2,315,388)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and impairment of long-lived assets	51,263	2,195,060
Equity-related compensation	11,017	15,552
Interest income on notes receivable from officers for stock	(64)	(165)
Non-cash portion of restructuring charge	602	—
Loss on investments and disposal of property and equipment	5,528	14,747
Changes in operating assets and liabilities:		
Accounts receivable, net	3,141	(4,491)
Prepaid expenses and other current assets	470	904
Accounts payable, accrued expenses and other current liabilities	(10,678)	(993)
Deferred revenue	(734)	998
Other noncurrent assets and liabilities	(3,225)	19,362
Net cash used in operating activities	(43,980)	(74,414)
Cash flows from investing activities:		
Purchases of property and equipment	(6,454)	(42,548)
Purchases of investments	(24,551)	(64,673)
Proceeds from sales of property and equipment	221	—
Proceeds from sales and maturities of investments	83,138	147,393
Net cash provided by investing activities	52,354	40,172
Cash flows from financing activities:		
Payments on capital leases and equipment financing loan	(851)	(609)
Proceeds from the issuance of common stock under stock option and employee stock purchase plans	1,623	4,931
Net cash provided by financing activities	772	4,322
Effects of exchange rate translation on cash and cash equivalents	221	44
Net increase (decrease) in cash and cash equivalents	9,367	(29,876)
Cash and cash equivalents, beginning of period	78,774	150,130
Cash and cash equivalents, end of period	$ 88,141	$ 120,254
Supplemental disclosure of non-cash financing activities:		
Assets acquired under capital lease obligations and vendor financing	$ 3,214	$ 89

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

AKAMAI TECHNOLOGIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business:

Akamai Technologies, Inc. (“Akamai” or the “Company”) is the leading provider of edge computing solutions, delivering content and distributed applications across the Internet, intranets and extranets. Akamai’s globally distributed edge computing platform comprises more than 12,900 servers in more than 1,000 networks in 66 countries, ensuring the highest levels of availability, reliability and performance. The Company was incorporated in Delaware in 1998 and is headquartered in Cambridge, Massachusetts. Akamai provides services and world-class customer care to hundreds of successful enterprises, government entities and leading e-businesses worldwide. Akamai currently operates in one business segment: outsourced e-business infrastructure services and software.

2. Basis of Presentation and Principles of Consolidation:

The accompanying interim condensed consolidated financial statements, together with the related notes, are unaudited and reflect all adjustments, consisting only of normal recurring adjustments, that in the opinion of management are necessary for a fair presentation of the Company’s financial position, results of operations and cash flows as of the dates and for the periods presented. The interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Consequently, these interim financial statements do not include all disclosures normally required by accounting principles generally accepted in the United States for annual financial statements. Accordingly, reference should be made to the Company’s annual report on Form 10-K for the year ended December 31, 2001 for additional disclosures. Results of the interim periods are not necessarily indicative of results for the entire year.

The interim condensed consolidated financial statements include the accounts of Akamai and its wholly-owned subsidiaries. All intercompany transactions have been eliminated in consolidation. Certain reclassifications of prior period amounts have been made to conform with current period presentation.

3. Recent Accounting Pronouncements:

In June 2001, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 143, “Accounting for Asset Retirement Obligations,” which will be effective in January 2003. SFAS No. 143 addresses financial accounting and reporting requirements for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company has not yet completed its assessment of the potential impact on its financial statements of adopting SFAS No. 143.

In July 2002, FASB issued SFAS No. 146, “Accounting for Exit or Disposal Activities,” which will be effective for exit and disposal activities initiated after December 31, 2002. SFAS No. 146 addresses financial accounting and reporting requirements for costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Company has not yet completed its assessment of the potential impact on its financial statements of adopting SFAS No. 146.

4. Net Loss per Share:

Basic net loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of potential common stock. Potential common stock consists of stock options, warrants, unvested restricted common stock, convertible notes and contingently issuable common stock.

AKAMAI TECHNOLOGIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the components of potential common stock excluded from the calculation of diluted net loss per share because their inclusion would be antidilutive:

	As of June 30,	
	2002	2001
Stock options	15,927,248	9,346,644
Warrants	1,052,694	1,052,694
Unvested restricted common stock	2,672,695	12,316,176
Convertible notes	2,598,077	2,598,077
Contingently issuable common stock (Note 12)	7,692,308	1,089,325

5. Comprehensive Loss:

The following table presents the calculation of comprehensive loss and its components for the three and six-month periods ended June 30, 2002 and 2001 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Net loss	$(42,242)	$(92,608)	$(101,300)	$(2,315,388)
Other comprehensive income (loss):				
Foreign currency translation adjustment	269	—	281	—
Unrealized (loss) gain on investments	(237)	1,108	(334)	(1,528)
Reclassification adjustment for investment losses included in net loss	297	—	103	8,637
Comprehensive loss	$(41,913)	$(91,500)	$(101,250)	$(2,308,279)

Accumulated other comprehensive loss consisted of (in thousands):

	As of June 30, 2002	As of December 31, 2001
Foreign currency translation adjustment	$(169)	$(450)
Unrealized loss on investments	(297)	(65)
Total accumulated other comprehensive loss	$(466)	$(515)

6. Loss on Investments:

For the six months ended June 30, 2002, the Company recognized a loss of $4.3 million related to its investment in Netaxs, Inc. (“Netaxs”), a related party. In April 2002, FASTNET Corporation (“FASTNET”) acquired all of the outstanding capital stock of Netaxs in a merger transaction. As a result of the merger, the Company received total consideration of $278,000 in the form of cash and FASTNET common stock in exchange for the Company’s equity holdings in Netaxs. In addition, prior to the completion of the merger, the Company settled the amounts due under an outstanding subordinated note issued by Netaxs for $400,000 in cash. The aggregate carrying amount of the investment and subordinated note prior to the sale was $5.0 million. As a result of the exchange of stock in the merger transaction and the settlement of the subordinated note, the Company has included the $4.3 million loss in loss on investments in the statement of operations for the six months ended June 30, 2002. See Note 9 for further discussion.

During the three months ended June 30, 2002, the Company recorded a loss of $902,000 to adjust the cost basis of its investment in a publicly traded equity security to fair value as a result of a reduction in the market value of such security that, in the opinion of the Company, was other-than-temporary. Loss on investments also includes $143,000 of realized investment gains.

During the first quarter of 2001, the Company recorded a loss of $9.0 million to adjust the cost basis of its investments to fair value. Loss on investments for the six months ended June 30, 2001 also includes a realized loss of $2.7 million on the sale of an equity holding in a private company, a $1.0 million impairment of an investment in a private company and $2.0 million of losses on investments in an affiliate accounted for under the equity method.

7. Software Development Costs:

Costs incurred during the application development stage of internal-use software projects are capitalized in accordance with the American Institute of Certified Public Accountants' Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Capitalized costs include payroll and payroll-related costs for employees in our engineering and information technology groups who are directly associated with and who devote time to the Company's internal-use software projects during the application development stage. Capitalization begins when the planning stage is complete and the Company commits resources to the software project. Capitalization ceases when the software has been tested and is ready for its intended use. Costs incurred during the planning, training and post implementation stages of the software development life-cycle are expensed as incurred. Costs related to upgrades and enhancements of existing internal-use software that increase the functionality of the software are also capitalized.

Should a plan exist to market the software externally, costs incurred during the application development stage will be expensed as incurred until the software reaches technological feasibility as defined by SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." To date, the Company's development of software to be sold externally has been completed concurrently with the establishment of technological feasibility and, accordingly, no costs have been eligible for capitalization.

During the six months ended June 30, 2002, the Company capitalized $3.5 million of payroll and payroll-related costs for the development and enhancement of internal-use software applications. The $3.5 million represents $174,000 for employees included in cost of service, $2.9 million for employees included in research and development and $403,000 for employees included in general and administrative. As of June 30, 2002, the Company has amortized approximately $270,000 of capitalized software costs. The internal-use software primarily operates and monitors the Company's network, delivers the Company's services and provides other internal tools such as management reporting and asset tracking. The Company amortizes capitalized internal-use software over its estimated useful life of two years. Capitalized software is evaluated each reporting period for impairment and is written down if it is no longer probable that the software will be placed in service or if the software becomes obsolete.

8. Goodwill and Other Intangible Assets:

The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," in January 2002. Prior to the adoption of SFAS No. 142, the carrying amount of goodwill was $4.0 million. In accordance with the provisions of SFAS No. 142, the Company reclassified its assembled workforce intangible assets of $969,000 to goodwill. The Company concluded that it had one reporting unit and assigned the entire balance of goodwill to this reporting unit for purposes of performing a transitional impairment test as of January 1, 2002. The fair value of the reporting unit was determined using the Company's market capitalization as of January 2, 2002. The fair value on January 2, 2002 exceeded the net assets of the reporting unit, including goodwill. Accordingly, the Company concluded that no impairment existed as of that date. Unless changes in events or circumstances indicate that an impairment test is required, the Company will next test goodwill for impairment on January 1, 2003.

AKAMAI TECHNOLOGIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table reconciles reported net loss to adjusted net loss, which excludes amortization of goodwill, for the three and six months ended June 30, 2001 (in thousands except loss per share amounts), as if SFAS No. 142 had been adopted by the Company as of the beginning of each period:

	Ended June 30, 2001	
	For the Three Months	For the Six Months Ended June 30, 2001
Reported net loss	$(92,608)	$(2,315,388)
Goodwill amortization	1,093	235,732
Assembled workforce amortization	1,486	2,972
Adjusted net loss	$(90,029)	$(2,076,684)
Basic and diluted net loss per share:		
Reported net loss per share	$ (0.91)	$ (23.11)
Goodwill amortization per share	0.01	2.35
Assembled workforce amortization per share	0.01	0.03
Adjusted net loss per share	$ (0.89)	$ (20.73)

Prior to the adoption of SFAS No. 142, the Company's other intangible assets consisted of completed technology, trademarks and trade names, assembled workforce and acquired license rights. In 2002, the Company reclassified assembled workforce to goodwill and concluded that the remaining intangible assets had definite useful lives equivalent to their original useful lives. During the first quarter of 2002, the Company discontinued the sales of a service line that had utilized technology acquired from Network*24* Communications, Inc. ("Network*24*") in February 2000. During the first quarter of 2002, the Company recorded an impairment loss of $2.3 million to adjust the intangible assets related to the Network*24* technology to their fair value. The impairment loss was included in amortization of other intangible assets.

Intangible assets subject to amortization consisted of the following (in thousands):

	As of June 30, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Completed technology	$26,769	$(21,068)	$5,701
Trademarks and trade names	4,527	(3,605)	922
Acquired license rights	490	(178)	312
Assembled workforce	—	—	—
Total	$31,786	$(24,851)	$6,935

	As of December 31, 2001		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Completed technology	$28,683	$(16,670)	$12,013
Trademarks and trade names	4,925	(2,871)	2,054
Acquired license rights	490	(154)	336
Assembled workforce	12,411	(11,442)	969
Total	$46,509	$(31,137)	$15,372

Aggregate amortization expense for intangible assets was $2.2 million and $4.3 million for the three months ended June 30, 2002 and 2001, respectively, and $7.5 million and $8.6 million for the six months ended June 30, 2002 and 2001, respectively. Amortization expense is expected to be $4.5 million through the remainder of 2002, $2.2 million in 2003 and $50,000 in each of 2004, 2005 and 2006.

During the first quarter of 2001, the Company reviewed goodwill and other long-lived assets for impairment under the guidance of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company considered several factors in determining whether an impairment may have occurred, including the Company's market capitalization compared to its book value, the overall business climate and recent estimates for operating results of acquired businesses. A review of these factors as of March 31, 2001 indicated that an impairment assessment was required for long-lived assets of acquired businesses. The Company grouped all long-lived assets for acquired businesses, including goodwill and other intangible assets, and estimated the future discounted cash flows related to these long-lived assets. The discount rate used was based on the risks associated with the acquired businesses. As a result of this analysis, the Company recorded an impairment charge of $1,912.8 million during the first quarter of 2001 to adjust the carrying amount of goodwill arising from the acquisitions of Network*24* and InterVU Inc. ("InterVu") to its fair value as of March 31, 2001.

9. Related Party Transactions:

From time to time, the Company may engage in transactions with parties that have relationships with officers or directors of the Company, entities in which the Company has a direct ownership interest or entities with which the Company shares an interest in a joint venture. Under the Company's current policy, proposed transactions with these related parties are reviewed by the Company's Audit Committee of the Board of Directors. If a majority of the disinterested members of the Audit Committee recommends proceeding with the transaction, such transaction shall then be presented to the full Board of Directors of the Company for approval by a disinterested majority of the Directors in attendance at the applicable meeting. Only upon receipt of such approval may the Company proceed with the proposed transaction. Prior to adoption of the current policy by the Board of Directors in July 2002, related party transactions involving the Company were reviewed by the full Board of Directors and were subject to the prior approval of members of the Board of Directors who did not have a personal interest in the applicable transaction. During the three and six months ended June 30, 2002 and 2001, the Company engaged in the following transactions with related parties:

Akamai Japan

In April 2001, Akamai and SOFTBANK Broadmedia Corporation ("SBBM"), a subsidiary of SOFTBANK Group, formed a joint venture to create Akamai Technologies Japan KK ("Akamai Japan"). Akamai Japan is the exclusive provider of Akamai's services in Japan. Akamai Japan is owned 60% by SBBM and 40% by Akamai. Akamai accounts for its investment in Akamai Japan using the equity method. The equity method is used when the Company significantly influences, but does not control, a company in which it has an equity investment, an investee. Significant influence is presumed when the Company owns between 20% and 50% of the voting shares of an investee. The Company recognizes its share of the investee's net income or losses based on its ownership percentage. Losses are recognized to the extent of the carrying amount of the investment, which includes net advances and extended financing. Losses are not recognized when the investment is reduced to zero, unless the Company guarantees the obligations of the investee or otherwise commits to provide future financing to the investee.

To date, Akamai has not recognized $2.0 million of its share of Akamai Japan's losses because the carrying amount of its investment is zero. Akamai does not guarantee the obligations of Akamai Japan and has no obligation to provide future financing to Akamai Japan. If, in the future, the Company guarantees the obligations of Akamai Japan or otherwise makes investments in or advances to Akamai Japan, the Company will record the suspended equity-method losses to the extent of the guarantee, investment or advance. During the first quarter of 2002, in connection with entering into the technology license agreement with SBBM described below, Akamai agreed to reduce the amount of Akamai Japan's quarterly minimum resale commitment through the remainder of 2002. Akamai recognized $1.1 million and $2.2 million of revenue from Akamai Japan during the three and six months ended June 30, 2002, respectively. As of June 30, 2002, $1.1 million due from Akamai Japan is included in the Company's accounts receivable. This amount was paid in full in July 2002.

During the first quarter of 2002, Akamai entered into a technology license agreement with SBBM. Akamai recognized $1.2 million and $2.4 million of revenue from this license agreement in the three and six months ended June 30, 2002, respectively, and will recognize the remaining value of the contract during 2002. As of June 30, 2002, there were no amounts due from SBBM.

Sockeye Networks, Inc.

During the three and six months ended June 30, 2002, the Company recognized $252,000 and $500,000, respectively, of revenue from Sockeye Networks, Inc. ("Sockeye") under a service agreement that is renewable at Sockeye's option. Payments due under the service agreement are based on a percentage of Sockeye's revenue, subject to quarterly minimum commitments of $250,000. As of June 30, 2002, there was approximately $250,000 due from Sockeye. This amount was paid in full in August 2002. During the six months ended June 30, 2001, licensing fees payable by Sockeye to Akamai were $5.2 million. In addition, during the six months ended June 30, 2001, Sockeye paid Akamai $3.7 million for technology development work performed by Akamai. Akamai owns 40% of Sockeye and records its share of Sockeye's losses under the equity method. The Company recognized $2.0 million of equity method losses in the six months ended June 30, 2001, which is included in loss on investments. To date, Akamai has not recognized $7.4 million of its share of Sockeye's losses because the carrying amount of its investment in Sockeye had been reduced to zero in 2001. Akamai does not guarantee the obligations of Sockeye, and has no obligation to provide future financing to Sockeye. If, in the future, the Company guarantees the obligations of Sockeye or otherwise makes investments in or advances to Sockeye, the Company will record the suspended equity-method losses to the extent of the guarantee, investment or advance.

Netaxs/FASTNET

Akamai's Chief Network Architect was an officer of, and held a significant ownership in, Netaxs until Netaxs was acquired by FASTNET in a merger transaction in April 2002. In connection with the merger, this person became a director, employee and a 5% stockholder of FASTNET. During the three and six months ended June 30, 2002, Akamai purchased approximately $830,000 and $1.6 million, respectively, of bandwidth and co-location space from Netaxs. During the three and six months ended June 30, 2001, Akamai purchased approximately $240,000 and $600,000, respectively, of bandwidth and co-location space from Netaxs. The Company believes that bandwidth and co-location are purchased at fair value. See Note 6 for further discussion.

10. Stock Plans:

During the six months ended June 30, 2002, the Company granted 921,000 fully vested options to purchase common stock at below market value to employees for the payment of equity bonus awards. The weighted average exercise price of these stock options was $0.62. The Company recorded the intrinsic value of these options as equity-related compensation expense. In addition, the Company repurchased 656,000 shares of unvested restricted common stock as a result of employee terminations and, consequently, reversed $1,247,000 of previously recorded equity-related compensation. During the three months ended March 31, 2002, the Company agreed to waive its right to repurchase the remaining unvested restricted common stock held by a member of the Board of Directors who did not seek reelection in May 2002. The Company recorded $283,000 as equity-related compensation for the intrinsic value of the accelerated restricted common stock as of the date of the modification. Accelerations of stock option vesting during the six months ended June 30, 2002 resulted in equity-related compensation of $44,000.

In December 2001, the Company reduced the interest rates payable on full recourse notes issued in July 1999 by certain officers in exchange for shares of restricted common stock. The interest rates were adjusted to the Applicable Federal Rate (the "AFR") at such time. The AFR, in the Company's opinion, was below the market interest rate for these individual borrowers on the date of the modification. The shares of restricted common stock purchased with the funds loaned to the officers in connection with the issuance of the notes are subject to variable accounting until the loans are paid in full, which will constitute an exercise of the equity awards. The Company will continue to amortize previously recognized deferred compensation with respect to these restricted stock awards as the awards vest. In addition, the Company will record variable compensation each quarter based on the closing price of the Company's stock on the last trading day of such quarter if the stock price exceeds $13.00 per share. No additional accounting charges have been required to date.

In July 2002, the Company granted to its CEO an option to purchase 750,000 shares of Akamai common stock at an exercise price of $1.26. The options are scheduled to vest on the third anniversary of the date of grant; however, vesting accelerates upon the achievement of certain performance goals.

11. Restructuring and Lease Terminations:

During the year ended December 31, 2001, the Company recorded a restructuring charge of $34.1 million for exit costs related to abandoned real property leases. The charge was estimated as the amount of future rent payments and termination fees for the vacant properties, less estimated sublease income.

In March 2002, the Company terminated its facility leases located at 500 and 600 Technology Square ("500 Tech" and "600 Tech," respectively) in Cambridge, Massachusetts, for a fee of $15.0 million. In addition, the Company incurred approximately $900,000 in brokerage and legal fees directly related to the termination. Total fees allocable to 600 Tech were $14.0 million. As of March 31, 2002, the accrued restructuring liability attributable to 600 Tech was $7.2 million. Accordingly, the Company recorded a restructuring charge for the three months ended March 31, 2002 of $6.8 million for the difference between the amount paid and the amount accrued. Total fees allocable to 500 Tech were $1.9 million, which was recorded as a restructuring charge for the three months ended March 31, 2002.

As a result of the termination of the 500 Tech lease, the Company changed the estimated useful lives of certain capitalized leasehold improvements. The leasehold improvements are now being amortized over the remaining term of the lease through November 2002. Due to the change in the estimate of such useful lives, depreciation expense and net loss increased by $1.9 million and $2.2 million for the three and six months ended June 30, 2002, respectively.

During first quarter of 2002, the Company revised its sublease income estimates related to certain leases vacated by the Company in 2001. Due to continued adverse real estate conditions, the Company has not located sublease tenants for certain of its vacated properties. As a result, during first the quarter of 2002, the Company recorded an additional $3.7 million restructuring charge, which represents a reduction in anticipated sublease income. In addition, during the three months ended June 30, 2002, the Company recorded a non-cash restructuring charge of $602,000 to write-off long-lived assets and deferred rent related to these vacated properties.

AKAMAI TECHNOLOGIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the establishment, usage and adjustments to the restructuring liabilities related to facility leases (in millions):

Restructuring charge in 2001	$ 34.1
Cash payments in 2001	(6.5)
Ending balance, December 31, 2001	27.6
Restructuring charge for the six months ended June 30, 2002	13.0
Cash payments for the six months ended June 30, 2002	(22.4)
Non-cash restructuring charge for six months ended June 30, 2002	(0.6)
Ending balance, June 30, 2002	$ 17.6
Current portion of accrued restructuring	$ 13.3
Long-term portion of accrued restructuring	$ 4.3

The amount of restructuring liabilities associated with operating leases has been estimated based on the most recent available market data and discussions with our lessors and real estate advisors. The Company has estimated a range of probable losses related to terminating and subleasing certain of these non-cancelable operating leases. As of June 30, 2002, the estimated range of probable future losses was approximately $17.6 million to $30.0 million. In the event that these operating leases are terminated at a higher or lower cost than the amount accrued as of June 30, 2002, the Company will record an adjustment to the restructuring liability in the period in which the adjustment becomes probable and estimable.

12. Commitments and Contingencies:

Operating and Capital Lease Obligations

The Company leases its facilities and certain equipment under operating and capital leases. In June 2002, the Company entered into a real property sublease agreement for its new corporate headquarters in Cambridge, Massachusetts, expiring May 2009. The minimum aggregate future obligations under non-cancelable leases as of June 30, 2002 are as follows (in thousands):

	Operating Leases	Capital Leases (including vendor financing)
Remaining 2002	$ 8,445	$ 824
2003	13,527	1,314
2004	14,355	830
2005	12,799	266
2006	11,758	—
2007	10,482	—
Thereafter	23,393	—
Total	$94,759	3,234
Less: interest		(352)
Total principal obligations		2,882
Less: current portion		(1,313)
Noncurrent portion of principal obligations		$ 1,569

Legal Matters

The Company is subject to legal proceedings, claims and litigation arising in the ordinary course of business. The Company does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Between July 2, 2001 and August 31, 2001, ten purported class action lawsuits were filed in the United States District Court for the Southern District of New York against the Company and several of its officers and directors as well as against the underwriters of the Company's October 28, 1999 initial public offering of common stock. The complaints were filed allegedly on behalf of persons who purchased Akamai's common stock during different time periods, all beginning on October 28, 1999 and ending on various dates. The complaints are similar and allege violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 primarily based on the allegation that the underwriters received undisclosed compensation in connection with the Company's initial public offering. On April 19, 2002, a single consolidated amended complaint was filed, reiterating in one pleading the allegations contained in the previously filed separate actions. The consolidated amended complaint defines the alleged class period as October 28, 1999 through December 6, 2000.

In January 2000, a former employee of InterVu filed an action against InterVu alleging that InterVu had breached two restricted stock purchase agreements by failing to deliver certain shares of stock after the employee's resignation. The plaintiff sought specific performance and monetary damages. In April 2001, the court ruled in favor of the plaintiff. The court assessed damages against the Company in the amount of $1.9 million. The Company has appealed the trial court's decision in this case. The Company has accrued for the potential loss and has placed $2.5 million, which includes interest, into an escrow account pending the appeal.

In August 2001, Network Caching Technology, L.L.C. ("NCT") amended an existing patent infringement action pending in the United States District Court for the Northern District of California to join Akamai as a co-defendant. The case alleges that numerous entities, namely, Novell, Inc., Volera, Inc., CacheFlow, Inc., Inktomi Corporation and Akamai, infringe four patents relating to network file services and cache mechanisms. The Company believes that NCT's infringement allegations are without merit; however, given the inherent uncertainty of litigation, there can be no assurance that the Company will prevail in this action.

In June 2002, the Company filed suit against Speedera Networks, Inc. ("Speedera") in California Superior Court alleging theft of Akamai trade secrets from an independent company that provides Website performance testing services. The Company is seeking a preliminary injunction to restrain Speedera from continuing to access its confidential information from such company's database, from using any data obtained from such access, and from providing content delivery services to any prospect identified through such actions. Also, in June 2002, Speedera filed suit against the Company in the United States District Court for the Northern District of California alleging that the Company's dissemination of a sales presentation document constitutes false advertising and unfair competition under the Federal Lanham Act and various California statutes. Although the Company has not filed an answer in this matter, the Company believes that it has defenses to the claims made in the complaint against it and intends to contest the lawsuit. However, there can be no assurance that the Company will prevail in this action.

In July 2002, Cable and Wireless Internet Services, formerly known as Digital Island, filed suit against the Company in the United States District Court for the District of Massachusetts alleging that certain Akamai services infringe a newly-issued Cable and Wireless patent. Subsequently, in August 2002, Cable and Wireless filed a suit against the Company in the United States District Court for the Northern District of California alleging that certain Akamai services infringe a second Cable and Wireless patent. Although the Company has not filed an answer in either of these matters, the Company believes that it has defenses to the claims made in the complaints and intends to contest the lawsuit. However, there can be no assurance that the Company will prevail in these actions.

AKAMAI TECHNOLOGIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CNN Advertising Agreement

In November 1999, InterVu, which was acquired by Akamai in April 2000, entered into an advertising agreement with the CNN News Group (“CNN”). Under the terms of such agreement, InterVu issued common stock valued at $20.0 million to CNN. In return, CNN agreed to provide InterVu with three years of on-air and online advertising and promotional opportunities across CNN’s properties. As part of the purchase price allocation made in accounting for its acquisition of InterVu, Akamai estimated the fair value of these services to be $18.4 million. This amount has been recorded as an asset and is being amortized over the remaining life of the advertising agreement, based on usage, to advertising expense. To date, $15.3 million has been amortized to advertising expense. The remaining balance of $3.1 million is classified as a prepaid expense on the consolidated balance sheet and will be amortized in full during 2002.

In connection with its acquisition of InterVu, Akamai issued shares of its common stock to CNN in exchange for shares of InterVu common stock held by CNN and assumed certain obligations relating to such shares, including a guarantee that the price of such shares would be above a specified price on the third anniversary of the advertising agreement. The Company has issued a letter of credit in the amount of $3.8 million for the benefit of CNN in accordance with the agreement. The Company may become obligated to issue to CNN cash in the amount of up to $10.0 million or, at the Company’s option, Akamai common stock having an equivalent value, if CNN holds its Akamai shares until November 11, 2002 and the price per share of Akamai common stock is below the guaranteed amount at such date. At the time of the acquisition of InterVu, the Company estimated the fair value of the price guarantee and included the estimated value of the guarantee in the purchase price of InterVu.

Either party may terminate the contract at any time for a material breach by the other party that remains uncured or the other party’s bankruptcy or similar adverse condition. In the event the agreement is terminated by CNN, CNN is required to pay Akamai as of the date of the termination notice the value of the undelivered services purchased under the agreement. In the event the agreement is terminated by Akamai because CNN engages another party to provide Internet video management and delivery services, CNN is required to pay Akamai as of the date of the termination (i) the value of the undelivered services purchased under the agreement and (ii) a breakup fee of $3.0 million initially that declines to zero over the term of the agreement. As of June 30, 2002, the value of the break-up fee is approximately $360,000.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

This Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. For this purpose, statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Actual results may differ materially from those indicated in such forward-looking statements as a result of certain factors including, but not limited to, those set forth under the heading "Factors Affecting Future Operating Results."

Overview

Akamai provides edge computing solutions, delivering content and distributed applications across the Internet, intranets and extranets. We market our services and software worldwide through a direct sales force and a reseller channel. Our services and software enable enterprises to reduce the complexity and cost of deploying and operating a uniform Web infrastructure while ensuring superior performance, reliability, scalability and manageability.

The following represents selected highlights of our financial condition and results of operations for the quarter ended June 30, 2002 as compared to the same period in the prior year, a complete discussion of which appears elsewhere in the Management's Discussion and Analysis section of this quarterly report on Form 10-Q:

- Total revenue was $36.3 million for the quarter ended June 30, 2002, compared to $43.1 million for the same period in the prior year.

- As of June 30, 2002, we had 211 customers of EdgeSuite, our leading service, compared to 51 at June 30, 2001. Average per-customer monthly recurring revenue for these customers for the quarter ended June 30, 2002 was approximately $22,300 in the three months ended June 30, 2002, as compared to $21,500 for the same period in the prior year.

- As of June 30, 2002, we had 1,034 customers under recurring revenue contracts compared to 1,208 at June 30, 2001. Average monthly recurring revenue for these customers was approximately $10,750 in the quarter ended June 30, 2002, as compared to $10,000 for the same period in the prior year.

- Gross margins for the quarter ended June 30, 2002 were 70%, excluding network depreciation expenses, compared to 62% for the same period in the prior year.

- Total cash used in operating activities for the quarter ended June 30, 2002 was $8.0 million, compared to $30.6 million for the same period in the prior year.

- Total capital expenditures were $3.7 million for the quarter ended June 30, 2002, compared to $18.2 million for the same period in the prior year.

- In June 2002, we entered into a seven-year sublease agreement for our new corporate headquarters in Cambridge, Massachusetts.

- As of June 30, 2002, we had 807 full time employees, compared to 1,129 full time employees as of June 30, 2001.

We have incurred significant costs to develop our technology, build our worldwide network, sell and market our services and software and support our operations. We have incurred significant amortization expense of goodwill and other intangible assets from the acquisition of businesses. We have incurred significant restructuring expenses related to employee severance payments and under-utilized leased office space. Since our inception, we have incurred significant losses and negative cash flows from operations. We have not achieved profitability on a quarterly or annual basis, and we anticipate that we will continue to incur net losses in the future. We believe that our success is dependent on increasing our customer base, developing new services and software that leverage our proprietary technology and maintaining a proper alignment between our cost structure, particularly our cash operating expenses, and our revenue.

Critical Accounting Policies and Estimates

In preparing the condensed consolidated financial statements included in this quarterly report on Form 10-Q, we have not made changes to our critical accounting policies as described in our annual report on Form 10-K for the year ended December 31, 2001. We have, however, modified the categories on our consolidated statements of operations based on a further refinement of employee functional roles. Specifically, for the three and six months ended June 30, 2002 and for the same periods in the prior year:

- We included in cost of service the salaries, benefits and other direct costs of employees who operate our network. These costs were previously included under the engineering and development category.

- We disaggregated our sales, general and administrative category into two categories: sales and marketing and general and administrative.

- We moved information technology and network operation costs from engineering and development to general and administrative and cost of service, respectively.

- We renamed engineering and development to research and development.

All prior period amounts have been reclassified to conform to current period presentation. These modifications had no impact on loss from operations or net loss.

The preparation of these interim condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, allowance for doubtful accounts, investments, intangible assets, income taxes, depreciable lives of property and equipment, restructuring accruals and contingency accruals. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 143, “Accounting for Asset Retirement Obligations,” which will be effective for fiscal year 2003. SFAS No. 143 addresses the financial accounting and reporting requirements for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. We have not yet assessed the potential impact on our financial statements of adopting SFAS No. 143.

In July 2002, FASB issued SFAS No. 146, “Accounting for Exit or Disposal Activities,” which will be effective for exit and disposal activities initiated after December 31, 2002. SFAS No. 146 addresses financial accounting and reporting requirements for costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. We have not yet completed our assessment of the potential impact on our financial statements of adopting SFAS No. 146.

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Results of Operations

The following sets forth, as a percentage of revenue, consolidated statements of operations data for the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of service (excludes network-related depreciation included in depreciation below)	30.1	38.1	29.9	42.3
Research and development	12.7	22.2	12.8	25.1
Sales and marketing	41.6	48.9	40.3	54.5
General and administrative	41.9	56.9	39.3	56.6
Depreciation	56.7	42.5	54.7	41.7
Amortization of goodwill	—	2.5	—	282.8
Amortization of intangible assets	6.1	10.0	10.1	10.3
Impairment of goodwill	—	—	—	2,294.9
Equity-related compensation	12.8	25.6	14.8	18.7
Restructuring charge	1.7	60.7	17.5	31.4
Total operating expenses	203.6	307.4	219.4	2,858.3
Loss from operations	(103.6)	(207.4)	(119.4)	(2,758.3)
Interest expense, net	(10.3)	(3.8)	(9.8)	(1.3)
Loss on investments	(2.1)	(2.7)	(6.9)	(17.7)
Loss before provision for income taxes	(116.0)	(213.9)	(136.1)	(2,777.3)
Provision for income taxes	0.3	0.8	0.3	0.6
Net loss	(116.3)%	(214.7)%	(136.4)%	(2,777.9)%

Revenue. We recognize revenue from our services and licensed technology when a signed contract to deliver the service or the licensed technology has been established, the service or licensed technology has been delivered or made available to, and accepted (when applicable) by, the customer, the fee for the service or licensed technology is fixed or determinable and collection is reasonably assured. We recognize revenue from our content delivery and streaming services based on the customer's minimum monthly usage commitment plus usage in excess of the minimum commitment as defined in the service arrangement. We record installation and set-up fees as deferred revenue and recognize these fees ratably over the life of the customer contract. We recognize revenue from resellers based on the resellers' contracted non-refundable minimum purchase commitment, plus amounts sold by the resellers to end customers in excess of the minimum commitment. We recognize revenue from professional services under time-and-material arrangements as the services are performed. We recognize revenue from fixed-fee arrangements using the percentage-of-completion method based on the percentage of cost incurred to date compared to the estimated total cost-to-complete. The impact of any revisions in estimates are recorded in the period in which they are identified. At the outset of a fixed-fee arrangement, if we are not able to estimate the total cost-to-complete, we account for the arrangement using the completed-contract method. Under this method, we recognize revenue when the contract has been completed and there are no remaining costs or deliverables. In the event that the estimated total cost on a fixed-fee contract indicates a loss, we will record the loss immediately.

From time to time, we purchase goods or services for our operations from customers at or about the same time that we enter into contracts to sell services or software to these organizations. These transactions are separately negotiated and recorded at terms we consider to be arm's length. For all periods presented, revenue recognized from vendors where we purchased goods or services from the vendor at or about the same time that we entered into contracts to sell services or license software was less than 10% of total revenue.

For the three and six months ended June 30, 2002, no customer accounted for more that 10% of revenue. For the three and six months ended June 30, 2001, one customer, Sockeye Networks, Inc., accounted for 10% and 11%, respectively, of total revenue. Resellers accounted for 23% of total revenue in the quarter ended June 30, 2002 as compared to 22% in the same period in the prior year. For both the three and six month periods ended June 30, 2002, 13% of our revenue was derived from our operations located outside of the United States compared to 9% and 7% for the three and six months ended June 30, 2001, respectively. As of June 30, 2002, we had 1,034 customers under recurring revenue contracts as compared to 1,208 at June 30, 2001. Average monthly revenue for these customers was approximately $10,750 in the three months ended June 30, 2002 as compared to $10,000 in the same period in the prior year. We increased our EdgeSuite customer base to 211 as of June 30, 2002 with average per-customer monthly recurring revenue of approximately $22,300, as compared to 51 EdgeSuite customers generating average recurring revenue of approximately $21,500 during the same period in the prior year.

Total revenue decreased 16% to $36.3 million for the three months ended June 30, 2002 compared to $43.1 million for the same period in the prior year. Service revenue decreased 12% to $31.3 million for the quarter ended June 30, 2002 as compared to $35.6 million for the same period in the prior year. The decrease in service revenue was attributable to a decrease in customers under recurring revenue contracts. License revenue increased 8% to $2.5 million in the second quarter of 2002 compared to $2.3 million for the same period in the prior year. Revenue from related parties decreased 51% to $2.6 million in the three months ended June 30, 2002 compared to $5.3 million for the same period in the prior year. The decline in revenue from related parties was primarily attributable to the reduction in revenue from Sockeye.

Total revenue decreased 11% to $74.2 million for the six months ended June 30, 2002 compared to $83.4 million for the same period in the prior year. The decrease in total revenue was primarily due to a reduction in related party revenue as a result of the restructuring of our agreement with Sockeye and lower license revenue.

Cost of Service. Cost of service consists primarily of fees paid to network providers for bandwidth and monthly fees for housing our servers in third-party network data centers. We include the depreciation of our network equipment used to deliver our services under the heading depreciation on the consolidated statements of operations. Cost of service also includes network operation employee costs; storage costs; live event costs including costs for production, encoding and signal acquisition; and cost of related professional services. During the three and six months ended June 30, 2002, we capitalized $79,000 and $174,000, respectively, of payroll costs for network operations personnel related to the development of internal-use software used to operate and monitor our network.

Cost of service, excluding network-related depreciation, decreased 33% to $10.9 million during the three months ended June 30, 2002 compared to $16.4 million in the same period in the prior year. For the six months ended June 30, 2002, cost of service, excluding network-related depreciation, decreased 37% to $22.2 million compared to $35.3 million for the same period in the prior year. Gross margins, excluding network-related depreciation, were 70% in each of the three and six months ended June 30, 2002, compared to 62% and 58%, respectively, in the same periods in the prior year. Cost of service decreased and gross margins increased in both periods due lower bandwidth costs and a decrease in the number of employees who manage our network.

Research and Development. Research and development expenses consist primarily of salaries and related expenses for the design, development, testing and enhancement of our services and our network. Research and development costs are expensed as incurred, except certain software development costs eligible for capitalization. During the three and six months ended June 30, 2002, we capitalized $1.5 million and $2.9 million, respectively, of payroll costs related to the development of internal-use software used to deliver our services and operate our network. We believe that product development is critical to our future objectives and we intend to continue to enhance our technology to meet the challenging requirements of market demand. Research and development expenses decreased 52% to $4.6 million for the three months ended June 30, 2002 compared to $9.6 million for the same period in the prior year. For the six months ended June 30, 2002, research and development expenses decreased 55% to $9.5 million compared to $20.9 million for the same period in the prior year. The decrease during these periods was primarily due to a decrease in the number of employees in our research and development organization, a reduction in the use of consulting services and an increase in capitalization of internal-use software costs during 2002.

Sales and Marketing. Sales and marketing expenses consist primarily of salaries, commissions and related expenses for personnel engaged in marketing, sales and service support functions, as well as trade shows and promotional expenses. Sales and marketing expenses decreased 28% to $15.1 million for the three months ended June 30, 2002 compared to $21.1 million for the same period in the prior year. For the six months ended June 30, 2002, sales and marketing expenses decreased 34% to $29.9 million compared to $45.4 million for the same period in the prior year. The decrease in both periods is primarily due to a decrease in personnel and payroll-related expenses as a result of reductions in the number of employees in the sales and marketing organization, decreased advertising expense and a decrease in the number of trade shows in which we participated.

General and Administrative. General and administrative expenses consist primarily of salaries and related expenses for executive, finance, information technology, or IT, and other administrative personnel, fees for professional services, telecommunications costs, the provision for doubtful accounts and rent and other facility-related expenditures for leased properties. During the three and six months ended June 30, 2002, we capitalized $213,000 and $403,000, respectively, of payroll costs for IT personnel related to the development of internal-use software. General and administrative expenses decreased 38% to $15.2 million for the three months ended June 30, 2002 compared to $24.5 million for the same period in the prior year. For the six months ended June 30, 2002, general and administrative expenses decreased 38% to $29.2 million compared to $47.2 million for the same period in the prior year. The decrease in both periods is primarily due to decreased headcount in 2001, decreased provision for doubtful accounts and a reduction in rent expense as a result of lease terminations.

Depreciation. Depreciation expense consists of depreciation of our network equipment and property and equipment used by us internally. Depreciation expense increased 12% to $20.6 million in the three months ended June 30, 2002 compared to $18.3 million in the same period in the prior year. For the six months ended June 30, 2002, depreciation expense increased 17% to $40.6 million compared to $34.8 million for the same period in the prior year. Depreciation expense increased during both periods primarily due to capital expenditures as a result of the expansion of our network during 2001.

As a result of terminating the lease for our current headquarters building, we changed the estimated useful lives of certain capitalized leasehold improvements. The leasehold improvements are now being amortized over the remaining term of the lease through November 2002. Due to the change in our estimate of such useful lives, depreciation expense and net loss increased by $1.9 million and $2.2 million for the three and six months ended June 30, 2002, respectively, and are expected to increase by approximately $2.8 million over the next five months.

Amortization of Goodwill. We no longer amortize goodwill as a result of our adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," in January 2002. As of January 1, 2002, we reclassified assembled workforce intangible assets of approximately $1.0 million to goodwill. The resulting balance of goodwill was $4.9 million on January 1, 2002. We determined that we had one reporting unit and we assigned the entire balance of goodwill to this reporting unit as of January 1, 2002 for purposes of performing a transitional impairment test. The fair value of the reporting unit was determined using the market capitalization of Akamai as of January 2, 2002. The fair value on January 2, 2002 exceeded the net assets of the reporting unit, including goodwill. Accordingly, we concluded that no impairment existed on that date. Unless changes in events or circumstances indicate that an impairment test is required, we will next test goodwill for impairment on January 1, 2003. Amortization of goodwill was $1.1 million for the three months ended June 30, 2001, and $235.7 million for the six months ended June 30, 2001.

Amortization of Other Intangible Assets. Amortization of other intangible assets decreased 48% to $2.2 million in the three months ended June 30, 2002 compared to $4.3 million in the same period in the prior year. For the six months ended June 30, 2002, amortization of other intangible assets decreased 13% to $7.5 million compared to $8.6 million for the same period in the prior year. The decrease during both periods was primarily due to discontinuance of assembled workforce amortization in 2002.

Impairment of Goodwill. During the first quarter of 2001, we reviewed goodwill and other long-lived assets for impairment under the guidance of SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.” We considered several factors in determining whether an impairment may have occurred, including Akamai’s market capitalization compared to its book value, the overall business climate and recent estimates for operating results of acquired businesses. A review of these factors as of March 31, 2001 indicated that an impairment assessment was required for long-lived assets of acquired businesses. We grouped all long-lived assets for acquired businesses, including goodwill and other intangible assets, and estimated the future discounted cash flows related to these long-lived assets. The discount rate used was based on the risks associated with the acquired businesses. As a result of this analysis, we recorded an impairment charge of $1,912.8 million during the first quarter of 2001 to adjust the carrying amount of goodwill to its fair value as of March 31, 2001.

Equity-Related Compensation. Equity-related compensation consists of the amortization of deferred compensation resulting from the grant of stock options or shares of restricted stock to employees at exercise or sale prices deemed to be less than the fair value of the common stock on the grant date, the intrinsic value of accelerated stock options or restricted stock awards, the intrinsic value of equity bonus awards, the fair value of equity awards issued to non-employees, and adjustments to previously recognized equity-related compensation for awards that are forfeited due to termination of employment. Equity-related compensation decreased 58% to $4.6 million for the three months ended June 30, 2002 compared to $11.0 million for the same period in the prior year. For the six months ended June 30, 2002, equity-related compensation decreased 29% to $11.0 million compared to $15.6 million for the same period in the prior year. The decrease was primarily due to a reduction in stock award accelerations and a reduction in deferred compensation amortization due to the repurchase and cancellation of restricted stock related to employee terminations.

Restructuring Charge. Restructuring charges were $13.0 million for the six months ended June 30, 2002, compared to $26.2 million for the same period in the prior year. During the year ended December 31, 2001, we recorded a restructuring charge of $34.1 million for exit costs related to under-utilized real property leases. The charge was estimated as the amount of future rent payments and termination fees for the vacant properties, less estimated sublease income.

In March 2002, we terminated our facility leases located at 500 and 600 Technology Square in Cambridge, Massachusetts, for a fee of $15.0 million. In addition, we incurred approximately $900,000 in brokerage and legal fees directly related to these lease terminations. Total fees allocable to 600 Technology Square were $14.0 million. As of March 31, 2002, the accrued restructuring liability attributable to 600 Technology Square was $7.2 million. Accordingly, during the first quarter of 2002, we recorded a restructuring charge of $6.8 million to reflect the difference between the amount paid and the amount accrued. The total amount of fees allocable to 500 Technology Square was $1.9 million, which was recorded as a restructuring charge for the three months ended March 31, 2002.

During the first quarter of 2002, we revised our sublease income estimates related to certain other leases vacated in 2001. As a result of continued adverse real estate conditions, we have not been successful in locating sublease tenants for certain of our vacated properties. As a result, we have recorded an additional $3.7 million restructuring charge, which represents a reduction in anticipated sublease income. In addition, during the quarter ended June 30, 2002, we recorded a non-cash restructuring charge of $602,000 to write-off long-lived assets and deferred rent related to vacated properties.

The following table summarizes the establishment and usage of the restructuring liabilities related to facility leases (in millions):

Restructuring charge in 2001	$ 34.1
Cash payments in 2001	(6.5)
Ending balance, December 31, 2001	27.6
Restructuring charges for the six months ended June 30, 2002	13.0
Cash payments for the six months ended June 30, 2002	(22.4)
Non-cash restructuring charge for the six months ended June 30, 2002	(0.6)
Ending balance, June 30, 2002	$ 17.6
Current portion of accrued restructuring	$ 13.3
Long-term portion of accrued restructuring	$ 4.3

The amount of restructuring liabilities associated with operating leases has been estimated based on the most recent available market data and discussions with our lessors and real estate advisors. We have estimated a range of probable losses related to terminating and subleasing certain of these non-cancelable operating leases. As of June 30, 2002, the estimated range of probable future losses was approximately $17.6 million to $30.0 million. In the event that these operating leases are terminated at a higher or lower cost than the amount accrued as of June 30, 2002, we will record an adjustment to the restructuring liability in the period in which the adjustment becomes probable and estimable.

Interest Expense, Net. Net interest expense includes interest earned on invested cash balances and interest paid on our debt obligations. Net interest expense increased 128% to $3.7 million for the three months ended June 30, 2002 compared to $1.6 million for the same period in the prior year. For the six months ended June 30, 2002, net interest expense increased 592% to $7.3 million compared to $1.1 million for the same period in the prior year. The increase in both periods was primarily due to a decrease in our invested cash balance and a decrease in rates earned on our investments.

Loss on Investments. Loss on investments decreased 34% to $759,000 for the three months ended June 30, 2002 compared to $1.2 million in the same period in the prior year. For the six months ended June 30, 2002, loss on investments decreased 66% to $5.1 million compared to $14.8 million for the same period in the prior year. Loss on investments in the quarter ended June 30, 2002 reflects a loss of $902,000 to adjust the cost basis of an investment in an equity security to fair value and approximately $143,000 of realized investment gains. During the six months ended June 30, 2001, loss on investments represented a loss of $9.0 million for the adjustment to market value of equity investments, realized losses of $2.7 million, a $1.0 million impairment of an investment in a private company and a loss of $2.0 million in an investment accounted for under the equity method.

Liquidity and Capital Resources

To date, we have financed our operations primarily through private sales of capital stock and issuance of senior subordinated notes totaling approximately $124.6 million in net proceeds, an initial public offering of our common stock in October 1999 that provided $217.6 million after underwriters’ discounts and commissions, and the sale in June 2000 of $300.0 million in 5 1/2% convertible subordinated notes due July 2007 which generated net proceeds of $290.5 million. In January 2001, we filed a universal shelf registration statement with the Securities and Exchange Commission that will enable us to sell up to $500 million of equity or debt securities in one or more public offerings. To date, we have not offered or sold securities under this registration statement. We have secured financing with our largest equipment vendors for future capital expenditures. As of June 30, 2002, we have utilized $3.2 million of this vendor financing for services and capital expenditures. As of June 30, 2002, cash, cash equivalents and marketable securities totaled $160.2 million, of which $17.2 million is restricted marketable securities.

Cash used in operating activities decreased 41% to $44.0 million for the six months ended June 30, 2002 compared to $74.4 million for the same period in the prior year. The decrease was due to a 63.5% decrease in net losses before non-cash expenses such as depreciation, amortization, impairment charges, loss on investments and equity-related compensation, and a decrease in accounts receivable of $3.1 million, partially offset by a decrease of $14.6 million in accounts payable, accrued expenses and other current and noncurrent liabilities. Cash used in operating activities for the six months ended June 30, 2002 includes $22.4 million of payments against accrued restructuring liabilities related to terminated and under-utilized real estate leases.

Cash provided by investing activities was $52.4 million for the six months ended June 30, 2002 compared to $40.2 million for the same period in the prior year. Cash provided by investing activities in the three months ended June 30, 2002 reflects net purchases, sales and maturities of investments of $58.6 million less capital expenditures of $6.5 million consisting of servers for the deployment of our network, internal IT infrastructure and capitalization of internal-use software development costs. We will use our available cash to fund approximately $3.0 to $5.0 million, in aggregate over the next two quarters, of leasehold improvements at our new corporate headquarters. Cash provided by investing activities for the six months ended June 30, 2001 reflects net investment purchases, sales and maturities of $82.7 million and capital expenditures of $42.5 million.

Cash provided by financing activities was $772,000 for the six months ended June 30, 2002 compared to $4.3 million for the same period in the prior year. Cash provided by financing activities in both periods reflects proceeds from the issuance of common stock under our stock plans and payments on our capital lease obligations. During the second quarter of 2002, we entered into capital leases and vendor financing agreements totaling $3.2 million, of which have paid $540,000. The remaining obligations will be paid over 24 to 36 months.

We believe, based on our present business plan, that our current cash, cash equivalents and marketable securities of $160.2 million will be sufficient to meet our cash needs for working capital and capital expenditures for at least the next 24 months. If the assumptions underlying our business plan regarding future revenue and expenditures change or if unexpected opportunities or needs arise, we may seek to raise additional cash by selling equity or debt securities. If additional funds are raised through the issuance of debt securities, these securities could have rights, preferences and privileges senior to those accruing to holders of common stock, and the terms of such debt could impose restrictions on our operations. The sale of additional equity or convertible debt securities could result in additional dilution to our stockholders. See “Factors Affecting Future Operating Results.”

Factors Affecting Future Operating Results

The following important factors, among other things, could cause our actual operating results to differ materially from those indicated or suggested by forward-looking statements made in this quarterly report on Form 10-Q or presented elsewhere by management from time to time.

We believe that this report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management based on information currently available to our management. Use of words such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “should,” “likely” or similar expressions, indicate a forward-looking statement. Forward-looking statements involve risks, uncertainties and assumptions. Certain of the information contained in this quarterly report on Form 10-Q consists of forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include the following:

Failure to increase our revenue or unexpected increases in expenses would prevent us from achieving and maintaining profitability.

We have never been profitable. We have incurred significant losses since inception and expect to continue to incur losses in the future. We cannot be certain that our revenue will continue to grow or that we will produce sufficient revenue to achieve profitability. We have large fixed expenses, and we expect to continue to incur significant sales and marketing, product development, administrative, interest and other expenses, including fees to obtain access to bandwidth for the transport of data over our network. As a result, we will need to generate significantly higher revenue to achieve and maintain profitability. Our failure to significantly increase our revenue would seriously harm our business and operating results.

If we are required to obtain additional funding, such funding may not be available on acceptable terms or at all.

If our revenue grows more slowly than we anticipate or if our operating expenses increase more than we expect or cannot be reduced in the event of lower revenue, we may need to obtain funding from outside sources. If we are unable to obtain needed outside funding, our business would be materially and adversely affected. In addition, even if we were to find outside funding sources, we might be required to issue to such outside sources securities with greater rights than those currently possessed by holders of our outstanding securities. We might also be required to take other actions that could lessen the value of our common stock, including borrowing money on terms that are not favorable to us.

We have significant long-term debt and we may not be able to make interest or principal payments when due.

As of June 30, 2002, our total long-term debt was approximately $301.6 million and our stockholders' deficit was $70.7 million. Our 5 1/2% convertible subordinated notes due 2007 do not restrict our ability or our subsidiaries ability to incur additional indebtedness, including debt that ranks senior to the 5 1/2% notes. Our ability to satisfy our obligations will depend upon our future performance, which is subject to many factors, including factors beyond our control. The conversion price for the 5 1/2% notes is $115.00 per share. The current market price for shares of our common stock is significantly below the conversion price of our convertible subordinated notes. If the market price for our common stock does not exceed the conversion price, the holders of the notes are unlikely to convert their securities into common stock.

Historically, we have had negative cash flow from operations. For the six months ended June 30, 2002, net cash used in operating activities was approximately $44.0 million. The annual debt service on our debentures and notes, assuming no securities are converted or redeemed, is approximately $16.5 million. Unless we are able to generate sufficient operating cash flow to service the notes, we will be required to raise additional funds or default on our obligations under the debentures and notes. Based on our current operating plan, we believe that we will not be required to raise additional capital to fund the repayment of our outstanding convertible debt when due. However, if we are not able to increase sales of our services, we may be required to raise additional funds in order to repay our outstanding convertible debt and there can be no assurance that, if required, we would be able to raise such funds on favorable terms, if at all.

Our revenue growth is primarily dependent on continued customer demand for our Internet-related services and software.

Our future growth currently depends on the commercial success of our outsourced infrastructure services and software for enterprises that use the Internet to streamline processes, improve productivity and increase efficiencies. We refer to such enterprises as e-businesses. While we have been selling our services commercially since April 1999, sales may not continue in the future for a variety of reasons. First, the market for our services and software is relatively new and issues concerning the commercial use of the Internet, including security, reliability, speed, cost, ease of access, quality of service, regulatory initiatives and necessary increases in bandwidth availability remain unresolved and are likely to affect its development. Furthermore, our new services, including EdgeSuite and our services under development, may not achieve widespread market acceptance. Failure of our current and planned services and software to operate as expected could also hinder or prevent their adoption. If a broad-based, sustained market for our services does not emerge and our target customers do not adopt, purchase and successfully deploy our current and planned services and software, our revenue will not grow significantly and our business, results of operations and financial condition will be seriously harmed.

Our stock price has been and may continue to be volatile, which could result in litigation against us.

The market price of our common stock has been extremely volatile and has fluctuated significantly in the past. The following factors could cause the market price of common stock to continue to fluctuate significantly:

• the addition or departure of our key personnel;

• variations in our quarterly operating results;

• announcements by us or our competitors of significant contracts, new or enhanced products or service offerings, acquisitions, distribution partnerships, joint ventures or capital commitments;

• changes in financial estimates by securities analysts;

• our sales of common stock or other securities in the future;

• changes in market valuations of networking, Internet and telecommunications companies;

• fluctuations in stock market prices and volumes; and

• changes in general economic conditions, including interest rate levels.

In the past, class action litigation has often been brought against companies following periods of volatility in the market price of those companies' common stock. Litigation is often expensive and diverts management's attention and resources which could materially adversely affect our business and results of operations.

Our business is difficult to evaluate and our business strategy may not successfully address risks we face because we have a limited operating history.

We were founded in August 1998 and began offering our services commercially in April 1999. We have limited historical financial data upon which to base planned operating expenses and upon which investors may evaluate our prospects and us. In addition, while our operating expenses are largely based on anticipated but unpredictable revenue trends, a high percentage of these expenses is and will continue to be fixed in the short-term. Because of our limited operating history, our business strategy may not successfully address all of the risks we face.

Any failure of our network infrastructure could lead to significant costs and disruptions that could reduce our revenue and harm our business, financial results and reputation.

Our business is dependent on providing our customers with fast, efficient and reliable Internet distribution application and content delivery services. To meet these customer requirements, we must protect our network infrastructure against damage from:

• sabotage and vandalism;

• human error;

• physical or electronic intrusion and security breaches;

• fire, earthquake, flood and other natural disasters;

• power loss; and

• similar events.

For our EdgeSuite, FreeFlow and FreeFlow Streaming services, we currently provide a content delivery service guarantee that our networks will deliver Internet content 24 hours a day, seven days a week, 365 days a year. If we do not provide this service, the customer does not pay for its services on that day. Any widespread loss or interruption of services would reduce our revenue and could harm our business, financial results and reputation.

Our services and our network may be subject to intentional disruption.

Although we believe we have sufficient controls in place to prevent intentional disruptions of our services, such as disruptions caused by software viruses specifically designed to impede the performance of our services, we may be an ongoing target of such disruptions. Similarly, experienced computer programmers, or "hackers," may attempt to penetrate our network security or the security of our Web site in order to misappropriate proprietary information or cause interruptions of our operations. Our activities could be substantially disrupted and our reputation and future sales harmed if these efforts are successful.

Terrorist activities and resulting military and other actions could adversely affect our business.

Terrorist attacks in New York, Pennsylvania and Washington, D.C. in September 2001 disrupted commerce throughout the United States and other parts of the world. The continued threat of terrorism within the United States and abroad and the potential for military action and heightened security measures in response to such threat may cause significant disruption to commerce throughout the world. To the extent that such disruptions result in delays or cancellations of customer orders, a general decrease in corporate spending on information technology, or our inability to effectively market and sell our services and software, our business and results of operations could be materially and adversely affected. We are unable to predict whether the threat of terrorism or the responses to any such threats will result in any long-term commercial disruptions or if such activities or responses will have a long-term material adverse effect on our business, results of operations or financial condition.

Because our services are complex and are deployed in complex environments, they may have errors or defects that could seriously harm our business.

Our services are highly complex and are designed to be deployed in and across numerous large and complex networks. As of June 30, 2002, our network consisted of over 12,900 servers across more than 1,000 different networks. Our customers and we have from time to time discovered errors and defects in our software. In the future, there may be additional errors and defects in our software that may adversely affect our services. If we are unable to efficiently fix errors or other problems that may be identified, we could experience:

- loss of or delay in revenues and loss of market share;
- diversion of development and engineering resources;
- loss of credibility or damage to business reputation;
- increased service costs; and
- legal actions by our customers.

Any failure of our telecommunications and network providers to provide required transmission capacity to us could result in interruptions in our services.

Our operations are dependent in part upon transmission capacity provided by third-party telecommunications network providers. A number of these network providers have recently filed for protection under the federal bankruptcy laws. As a result, there is uncertainty about whether such providers or others that enter into bankruptcy will be able to continue to provide services to us. Any failure of these network providers to provide the capacity we require may result in a reduction in, or interruption of, service to our customers. This failure may be a result of the telecommunications providers or Internet service providers ceasing operations, experiencing interruptions or other failures, failing to comply with or terminating their existing agreements with us, otherwise denying or interrupting service, refusing to enter into relationships with us or only agreeing to enter into relationships with us on terms that are not commercially acceptable to us. If we do not have access to third-party transmission capacity, we could lose customers. If we are unable to obtain transmission capacity on terms commercially acceptable to us, our business and financial results could suffer. In addition, our telecommunications and network providers typically provide rack space for our servers. Damage or destruction of, or other denial of access to, a facility where our servers are housed could result in a reduction in, or interruption of, service to our customers.

The markets in which we operate are highly competitive and we may be unable to compete successfully against new entrants and established companies with greater resources.

We compete in markets that are new, intensely competitive, highly fragmented and rapidly changing. We have experienced and expect to continue to experience increased competition. Many of our current competitors, as well as a number of our potential competitors, have longer operating histories, greater name recognition, broader customer relationships and industry alliances and substantially greater financial, technical and marketing resources than we do. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Some of our current or potential competitors may bundle their services with other services, software or hardware in a manner that may discourage Web site owners from purchasing any service we offer or Internet service providers from installing our servers.

As competition in the Internet content, streaming media and applications delivery markets continues to intensify, new solutions will come to market. We are aware of other companies that are focusing or may in the future focus significant resources on developing and marketing products and services or entering into strategic alliances that will compete with us. These companies include networking hardware and software manufacturers, content distribution providers, traditional hardware manufacturers, telecommunications providers, software database companies and large diversified software and technology companies. Increased competition could result in:

• price and revenue reductions and lower profit margins;

• increased cost of service from telecommunications providers;

• loss of customers; and

• loss of market share.

Any one of these could materially and adversely affect our business, financial condition and results of operations.

If we are not successful in entering into technology licensing, development or other strategic technology arrangements in the future, our results of operations could be adversely affected.

We derived a portion of our revenue in the six months ended June 30, 2002 from fees under license and development agreements. We expect to derive a portion of our revenue in the future from license agreements that we have entered into as well as additional licensing arrangements, development agreements and other strategic technology arrangements that we may enter into. We may not be successful in completing any additional arrangements within the time periods we anticipate or at all, which could have an adverse effect on our results of operations.

Some of our current customers have funding and liquidity difficulties and may not pay us for our services on a timely basis or at all.

Some of our customers have funding and liquidity difficulties, and we expect to earn a portion of our future revenue from this customer base. Given these customers' financial situation, there is a risk that they will encounter financial difficulties and fail to pay for our services or delay payment substantially. The failure of a significant number of our customers to pay our fees on a timely basis or to continue to purchase our services in accordance with their contractual commitments could adversely affect our revenue collection periods, our future revenue in general and other financial results.

If the estimates we make, and the assumptions on which we rely, in preparing our financial statements prove inaccurate, our actual results may vary from these reflected in our projections and accruals.

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, the amounts of charges accrued by us, such as those made in connection with our restructurings, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. There can be no assurance, however, that our estimates, or the assumptions underlying them, will be correct. If, for example, the costs associated with terminating certain real property leases vacated by us in our restructurings is greater than the amount we have accrued in connection therewith, our net income would be reduced which could have a negative impact on our financial statements and results of operations. This, in turn, could adversely affect our stock price.

If we are unable to scale our network as demand increases, the quality of our services may diminish and we may lose customers.

Our network of servers may not be scalable to expected customer levels while maintaining superior performance. We cannot be certain that our network of servers will connect and manage a substantially larger number of customers at high transmission speeds. In addition, as customers' usage of bandwidth increases, we will need to make additional investments in our infrastructure to maintain adequate data transmission speeds. We cannot ensure that we will be able to make these investments successfully or at an acceptable or commercially reasonable cost. Our failure to achieve or maintain high capacity data transmission could significantly reduce demand for our services, reducing our revenue in general and causing our business and financial results to suffer.

If we do not respond rapidly to technological changes, we may lose customers.

The market for outsourced e-business infrastructure services and software is likely to continue to be characterized by rapid technological change, frequent new product and service introductions and changes in customer requirements. We may be unable to respond quickly or effectively to these developments. If our competitors introduce products, services or technologies that are better than ours or that gain greater market acceptance, or if new industry standards emerge and our services become obsolete, our business, results of operations and financial condition which could be materially and adversely affected.

If our license agreement with MIT terminates, our business could be adversely affected.

We have licensed from the Massachusetts Institute of Technology, or MIT, technology covered by various patent applications and copyrights relating to Internet content delivery technology. Some of our technology is based in part on the technology covered by these patent applications and copyrights. Our license is effective for the life of the patent and patent applications; however, under limited circumstances, such as our insolvency or our material breach of the terms of the license agreement, MIT has the right to terminate our license. A termination of our license agreement with MIT could have a material adverse effect on our business.

Our business will be adversely affected if we are unable to protect our intellectual property rights from third-party challenges.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. These legal protections afford only limited protection. Monitoring unauthorized use of our services is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

Although we have licensed and proprietary technology covered by United States patents, we cannot be certain that any such patents will not be challenged, invalidated or circumvented. Moreover, although we have filed international patent applications, none of our technology is patented abroad. We cannot be certain that any pending or future patent applications will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent that may be issued will provide competitive advantages to us.

The rates we charge for our services may decline over time, which would reduce our revenue and could cause our business and financial results to suffer.

We expect that our cost to obtain bandwidth capacity for the transport of data over our network will decline over time as a result of, among other things, the large amount of capital currently being invested to build infrastructure providing additional bandwidth and volume discounts available to us as our network usage increases. We expect the prices we charge for our services may also decline over time as a result of, among other things, existing and new competition in the markets we address. As a result, our historical revenue rates may not be indicative of future revenue based on comparable traffic volumes. If we fail to accurately predict the decline in costs of bandwidth or, in any event, if we are unable to sell our services at acceptable prices relative to our bandwidth costs, or if we fail to offer additional services from which we can derive additional revenue, our revenue will decrease and our business and financial results will suffer.

Our business will suffer if we fail to manage our growth properly.

We have expanded our operations rapidly since our inception. This growth has placed, and our anticipated growth in future operations will continue to place, a significant strain on our management systems and resources. Our ability to successfully offer our services and implement our business plan in a rapidly evolving market requires an effective planning and management process. We expect that we will need to continue to improve our financial and managerial controls, reporting systems and procedures, and will need to continue to train and manage our workforce worldwide. In order to grow and achieve future success, we must also improve our ability to effectively manage multiple relationships with our customers, suppliers and other third parties. In addition, from time to time, we have been required to downsize our operations in order to effectively manage our business. Failure to take any of the steps necessary to manage our growth properly would have a material adverse effect on our business, results of operations and financial condition.

We depend on our key personnel to manage our business effectively. If we are unable to retain our key employees and hire qualified sales and technical personnel, our ability to compete could be harmed.

Our future success depends upon the continued services of our executive officers and other key technology, sales, marketing and support personnel, who have critical industry experience and relationships that they rely on in implementing our business plan. None of our officers or key employees is bound by an employment agreement for any specific term. We have a “key person” life insurance policy covering only the life of F. Thomson Leighton. The loss of the services of any of our key employees could delay the development and introduction of and negatively impact our ability to sell our services.

We face intense competition for qualified personnel, including research and development personnel and other persons with necessary technical skills, particularly in the Boston, Massachusetts and San Mateo, California areas. Our employees require extensive training in our outsourced e-business infrastructure services and software. If we are unable to hire and promptly train service and support personnel, we may not be able to increase sales of our services, which would seriously harm our business.

We face risks associated with international operations that could harm our business.

We have expanded our international operations to Munich, Germany; London, England and Paris, France. In addition, in April 2001, we formed a joint venture with SOFTBANK Broadmedia Corporation to create Akamai Technologies Japan KK, of which we own 40% of the common stock. A key aspect of our business strategy is to continue to expand our sales and support organizations internationally. Therefore, we expect to commit significant resources to expand our international sales and marketing activities. We are increasingly subject to a number of risks associated with international business activities that may increase our costs, lengthen our sales cycle and require significant management attention. These risks include:

• market acceptance of our products and services in countries outside the United States;

• increased expenses associated with marketing services in foreign countries;

• general economic conditions in international markets;

• currency exchange rate fluctuations;

• unexpected changes in regulatory requirements resulting in unanticipated costs and delays;

• tariffs, export controls and other trade barriers;

• longer accounts receivable payment cycles and difficulties in collecting accounts receivable; and

• potentially adverse tax consequences, including restrictions on the repatriation of earnings.

Provisions of our charter documents may have anti-takeover effects that could prevent a change in control even if the change in control would be beneficial to our stockholders.

Provisions of our amended and restated certificate of incorporation, by-laws and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders.

The unpredictability of our quarterly results may adversely affect the trading price of our common stock.

Our revenue and operating results may vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control and any of which may cause our stock price to fluctuate. The primary factors that may affect us include the following:

• demand for outsourced e-business infrastructure services and software;

• The timing and size of sales of our services;

• the timing of recognizing revenue and deferred revenue;

• new service and license introductions and enhancements by our competitors and us;

• changes in our pricing policies or the pricing policies of our competitors;

• our ability to develop, introduce and deliver new services and enhancements that meet customer requirements in a timely manner;

• the length of the sales cycle for our services;

• increases in the prices of, and availability of, the products, services, components or raw materials we purchase, including bandwidth;

• our ability to attain and maintain quality levels for our services;

• expenses related to testing of our services;

• costs related to acquisitions of technology or businesses; and

• general economic conditions as well as those specific to the Internet and related industries.

Due to the above factors, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. It is likely that in some future quarters, our operating results may be below the expectations of public market analysts and investors. In this event, the price of our common stock will probably decrease.

The length of time required to engage a customer and to implement our services and software may be lengthy and unpredictable.

The timing of the sales and implementation of our software and services is lengthy and not predictable with any degree of accuracy. The potential purchase of our services and the licensing of our software is often an enterprise-wide decision by prospective customers and generally requires us to provide a significant level of education to prospective customers regarding the use and benefits of our services and software. Therefore, the period between initial contact and the implementation of our services and software is often lengthy and is subject to a number of factors that may cause significant delays. Because of this uncertainty, our revenue pipeline estimates may not consistently correlate to actual revenues in a particular quarter or over a longer period of time. A variation in the pipeline or in the conversion of the pipeline into contracts could cause us to plan and budget improperly and thereby could adversely affect our business, financial condition or results of operations.

As part of our business strategy, we have entered into and may enter into or seek to enter into business combinations and acquisitions that may be difficult to integrate, disrupt our business, dilute stockholder value or divert management attention.

We acquired Network*24* Communications, Inc. in February 2000, InterVu Inc. in April 2000 and CallTheShots Inc. in July 2000. As a part of our business strategy, we may enter into additional business combinations and acquisitions. Acquisitions are typically accompanied by a number of risks, including the difficulty of integrating the operations and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of management, expenses related to the acquisition and potential unknown liabilities associated with acquired businesses.

If we are not successful in completing acquisitions that we may pursue in the future, we may be required to reevaluate our growth strategy and we may have incurred substantial expenses and devoted significant management time and resources in seeking to complete proposed acquisitions that will not generate benefits for us. In addition, with future acquisitions, we could use substantial portions of our available cash as all or a portion of the purchase price. We could also issue additional securities as consideration for these acquisitions, which could cause our stockholders to suffer significant dilution. Our past and future acquisitions may not ultimately help us achieve our strategic goals and may pose other risks to us.

We could incur substantial costs defending our intellectual property from infringement or a claim of infringement.

Other companies or individuals, including our competitors, may obtain patents or other proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our services. As a result, we may be found to infringe on the proprietary rights of others. In the event of a successful claim of infringement against us and our failure or inability to license the infringed technology, our business and operating results would be significantly harmed. Companies in the Internet market are increasingly bringing suits alleging infringement of their proprietary rights, particularly patent rights. Any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources. Intellectual property litigation or claims could force us to do one or more of the following:

- cease selling, incorporating or using products or services that incorporate the challenged intellectual property;

- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all; and

- redesign products or services.

If we are forced to take any of these actions, our business may be seriously harmed. Although we carry insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed.

Internet-related laws could adversely affect our business.

Laws and regulations that apply to communications and commerce over the Internet are becoming more prevalent. In particular, the growth and development of the market for online commerce has prompted calls for more stringent consumer protection and privacy laws, both in the United States and abroad, that may impose additional burdens on companies conducting business online. This could negatively affect the businesses of our customers and reduce their demand for our services. Internet-related laws, however, remain largely unsettled, even in areas where there has been some legislative action. The adoption or modification of laws or regulations relating to the Internet, or interpretations of existing law, could adversely affect our business.

Several class action lawsuits have been filed against us which may result in litigation that is costly to defend and the outcome of which is uncertain and may harm our business.

We and several of our officers and current and former directors are named as defendants in several purported class action complaints which have been filed allegedly on behalf of certain persons who purchased our common stock during different time periods. On April 19, 2002 a single consolidated amended complaint was filed, reiterating in one pleading the allegations contained in the previously filed separate actions. The consolidated complaint alleges violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 based on the allegations that the underwriters received undisclosed compensation in connection with our initial public offering.

We can provide no assurance as to the outcome of this action. Any conclusion of these matters in a manner adverse to us would have a material adverse affect on our financial position and results of operations. In addition, the costs to us of defending any litigation or other proceeding, even if resolved in our favor, could be substantial. Such litigation could also substantially divert the attention of our management and our resources in general. Uncertainties resulting from the initiation and continuation of any litigation or other proceedings could harm our ability to compete in the marketplace.

We may become involved in other litigation that may adversely affect us.

In the ordinary course of business, we may become involved in litigation, administrative proceedings and governmental proceedings. Such matters can be time-consuming, divert management’s attention and resources and cause us to incur significant expenses. Furthermore, there can be no assurance that the results of any of these actions will not have a material adverse effect on our business, results of operations or financial condition.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We do not use derivative financial instruments in our portfolio. We place our investments with high quality issuers and, by policy, limit the amount of risk by investing primarily in money market funds, United States Treasury obligations, high-quality corporate obligations and certificates of deposit. We expect to hold our marketable debt securities until maturity and do not expect to realize significant losses on the sale of marketable debt securities prior to maturity. We also hold investments in the common or preferred stock of several public and private companies. The carrying amount of these investments at June 30, 2002 was $1.7 million, which we believe approximates their fair value. Due to the limited operating history of these companies, many of which are in the start-up stage, we may not be able to recover our investment.

We have operations in Europe and we have a joint venture in Japan. As a result, we are exposed to fluctuations in foreign exchange rates. However, we do not expect that changes in foreign exchange rates will have a significant impact on our consolidated results of operations, financial position or cash flows. We may continue to expand our operations globally and sell to customers in foreign locations, which may increase our exposure to foreign exchange fluctuations.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

In June 2002, we filed suit against Speedera Networks, Inc., or Speedera, in California Superior Court alleging theft of Akamai trade secrets from an independent company that provides Website performance testing services. We are seeking a preliminary injunction to restrain Speedera from continuing to access our confidential information from its database, from using any data obtained from such access, and from providing content delivery services to any prospect identified through such actions. Also, in June 2002, Speedera filed suit against us in the United States District Court for the Northern District of California alleging that our dissemination of a sales presentation document constitutes false advertising and unfair competition under the Federal Lanham Act and various California statutes. Although we have not filed an answer in this matter, we believe that we have meritorious defenses to the claims made in the complaint against us and intend to contest the lawsuit vigorously. However, there can be no assurance that we will be successful. We are not presently able to reasonably estimate potential losses, if any, related to this lawsuit.

In July 2002, Cable and Wireless Internet Services, formerly known as Digital Island, filed suit against us in the United States District Court for the District of Massachusetts alleging that certain Akamai services infringe a newly-issued Cable and Wireless patent. Subsequently, in August 2002, Cable and Wireless filed a suit against us in the United States District Court for the Northern District of California alleging that certain Akamai services infringe a second Cable and Wireless patent. Although we have not filed an answer in either of these matters, we believe that we have meritorious defenses to the claims made in the complaints and intend to contest the lawsuit vigorously. However, there can be no assurance that we will be successful. We are not presently able to reasonably estimate potential losses, if any, related to these lawsuits.

See Item 3 of Part I of our annual report on Form 10-K for the year ended December 31, 2001 and Item 1 of Part III of our quarterly report on Form 10-Q for the quarter ended March 31, 2002 for a discussion of legal proceedings as to which there were no material developments during the quarter ended June 30, 2002.

Item 4. *Submission of Matters to Vote of Security Holders*

On May 21, 2002, we held our 2002 Annual Meeting of Stockholders. At the meeting, the following matters were approved by the votes specified below:

1. William A. Halter and Leo Hindery, Jr. were elected to serve as directors of Akamai until the annual meeting of 2005 or until their successors are duly elected and qualified. With respect to Mr. Halter, 93,704,125 shares of common stock were voted in favor of his election, and 398,351 shares of common stock were withheld. With respect to Mr. Hindery, 93,786,174 shares of common stock were voted in favor of his election, and 316,302 shares were withheld.

   In addition, the terms of the following directors continued after the annual meeting of our stockholders: George H. Conrades, Martin M. Coyne II, Ronald L. Graham, F. Thomson Leighton, Frederic V. Salerno and Naomi Seligman. See Item 5 below.

2. An amendment to our 1999 Employee Stock Purchase Plan, which we refer to as the ESPP, to automatically increase the number of shares of common stock available under the ESPP each June 1 and December 1 to restore the number of shares available for issuance thereunder provided that the aggregate number of shares shall not exceed 20,000,000 was approved. The votes cast were as follows: 36,024,873 shares of common stock were voted in favor of the amendment to the ESPP, 1,945,178 shares of common stock were voted against the amendment to the ESPP and 201,644 shares of common stock abstained from the vote. There were 55,930,781 shares of common stock subject to non-votes.

3. The ratification of PricewaterhouseCooopers LLP as our independent public accountants for the year ended December 31, 2002 was approved. The votes were cast as follows: 93,687,645 shares of common stock were voted for the ratification, 367,222 shares of common stock were voted against the ratification, and 47,609 shares of common stock abstained from the vote.

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Item 5. ***Other Information***

In June, 2002, Leo Hindery, Jr. resigned from the Board of Directors of Akamai.

Item 6. ***Exhibits and Reports on Form 8-K***

(a) Exhibits

Exhibit 10.14	Sublease Agreement dated as of May 3, 2002, as amended, by and between the Registrant and Novell, Inc., as amended by a First Amendment dated as of June 6, 2002.
Exhibit 10.15	Incentive Stock Option Agreement, dated as of July 12, 2002, by and between the Registrant and George Conrades.
Exhibit 10.16	Employment Agreement, dated as of July 12, 2002, by and between the Registrant and George Conrades.
Exhibit 99.1	Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 99.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

None

SIGNATURES

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

AKAMAI TECHNOLOGIES, INC.

By: /s/ TIMOTHY WELLER

Timothy Weller
Chief Financial Officer
(Principal Financial Officer)

Date: August 12, 2002

EXHIBIT 10.14

SUBLEASE

THIS SUBLEASE (this "Sublease"), made as of the 3rd day of May, 2002, between NOVELL, INC., a Delaware corporation having an office at 1800 South Novell Place, Provo, Utah 84606 ("Sublessor"), and AKAMAI TECHNOLOGIES, INC., a Delaware corporation having an office at 500 Technology Square, Cambridge, Mass, 02139 ("Subtenant").

WITNESSETH:

1. PREMISES. Sublessor leases to Subtenant a portion of the building (the "Building") known as Eight Cambridge Center, Cambridge, Massachusetts located on the first, sixth, seventh, eighth and ninth floors of the Building and shown on the floor plans attached hereto as EXHIBIT A-1, EXHIBIT A-2, EXHIBIT A-3, EXHIBIT A-4 and EXHIBIT A-5 and made a part hereof, (the "subleased premises"), upon the terms, conditions, covenants and agreements hereinafter set forth in this Sublease. The parties hereto agree that for purposes of this Sublease the subleased premises shall be deemed to constitute 89,614 rentable square feet. Subject to the terms and provisions of the underlying Lease (as such term is defined below in PARAGRAPH 3) and the reasonable rules and regulations as may be imposed by Sublessor, Subtenant shall have non-exclusive access twenty four (24) hours a day seven (7) days a week (subject to reasonable security procedures) to the main lobby of the Building, the Building loading docks and other Building wide common areas and the elevator banks serving the subleased premises.

2. TERM. The term of this Sublease (the "Term") (a) shall commence with respect to the portion of the subleased premises located on the first floor on the date (the "Commencement Date") which is the later of (i) seven (7) days after the date Sublessor receives the- Landlord Consent and the Landlord SNDA (as such terms are defined below in PARAGRAPH 9), or (ii) May 20, 2002, (b) shall commence with respect to the balance of the subleased premises on the date that is the later of (i) June 3, 2002 or (ii) fifteen (15) days after Sublessor receives the Landlord Consent and the Landlord SNDA and (c) shall end at the close of business on May 31, 2009 (the "Expiration Date") or upon such earlier date upon which the term of this Sublease may expire or be terminated pursuant to the terms and provisions of this Sublease or pursuant to law.

3. UNDERLYING LEASE. (a) The parties agree that this Sublease shall be subject and subordinate to all of the terms, covenants, conditions and provisions of the lease dated as of December 22, 1997 between Boston Properties Limited Partnership, as landlord ("Landlord"), and Cambridge Technology Partners (Massachusetts) Inc., ("Cambridge") as tenant, covering the subleased premises and other premises in the Building, as amended by first amendment to lease dated as of June 29, 1999 between Landlord and Cambridge, and as assigned by Cambridge to Sublessor by assignment and assumption of lease dated as of January l, 2002 (said lease, as so amended and assigned, the "Underlying Lease"). A redacted copy of the Underlying Lease has been delivered to and examined by Subtenant.

(b) The terms, covenants, conditions and provisions contained in the Underlying Lease (including but not limited to the remedies provided thereunder) are incorporated herein by reference, and shall, as between Sublessor and Subtenant constitute the terms, covenants, conditions and provisions of this Sublease, as if all references to the landlord thereunder were references to Sublessor, as if all references to the tenant thereunder were references to Subtenant and as if all references to the Premises (as such term is defined in the Underlying Lease) thereunder were references to the subleased premises, (i) except that all references in the Underlying Lease, as incorporated herein by reference, to "Tenant's Property" shall apply only to Subtenants property and all references in the Underlying Lease, as incorporated herein by reference, to "Annual Fixed Rent" shall refer to base rent hereunder and (ii) except to the extent that they are inapplicable to, inconsistent with, or modified by the provisions of this Sublease. Subtenant agrees to faithfully observe and perform the terms, covenants, conditions and provisions on its part to be observed and performed hereunder as well as those terms, covenants, conditions and provisions on its part to be observed and performed by the tenant under the Underlying Lease including, without limitation, the obligation to pay all rent, additional rent and all other charges and sums thereunder, except to the extent that they are inapplicable to, inconsistent with or modified by the provisions of this Sublease. Sublessor and Subtenant hereunder shall have the respective remedies of landlord and tenant under the Underlying Lease. Nothing contained in this Sublease shall be construed to create privity of estate or of contract between Subtenant and Sublessor's landlord. Subtenant shall not do or permit to be done any act or thing which will constitute a breach or violation of any of the terms, covenants, conditions or provisions of the Underlying Lease.

(c) Subtenant will indemnify and hold Sublessor harmless from and against all loss, costs, damages, expenses and liability, including, but not limited to, reasonable attorneys' fees, which Sublessor may incur by reason of any injuries to person or property occurring in, on or about the subleased premises arising by reason of (i) any breach or default hereunder on Subtenant's part; (ii) any work done in or to the subleased premises (1) by Subtenant or its agents or contractors, (2) with the consent of Subtenant or (3) at the request of Subtenant; (iii) any act, omission, negligence or other fault on the part of Subtenant, or any of Subtenant's agents, invitees, vendors, customers, contractors, subtenants, licensees or employees (collectively, "Subtenant Parties"); or (iv) any accident, injury or damage whatsoever to any person or entity occurring during the Term in or about the subleased premises (except to the extent caused by the willful acts or negligence of Sublessor or its agents, invitees, vendors, customers, contractors, subtenants (other than Subtenant), licensees or employees). The foregoing indemnity shall be construed to supplement Subtenant's obligations in the Underlying Lease, as incorporated in and made a part of this Sublease. Subtenant shall in no case have any rights in respect of the subleased premises greater than Sublessor's rights under the Underlying Lease. Notwithstanding any other provision of this Sublease, Sublessor, as sublandlord under this Sublease, shall have the benefit of all rights, waivers, remedies and limitations of liability (other than those set forth in Section 17.24 of the Underlying Lease) enjoyed by Landlord, as the landlord under the Underlying Lease, but (i) Sublessor shall have no obligation under this Sublease to perform the obligations of Landlord, as landlord under the Underlying Lease, including, without limitation, any obligation to provide services or maintain insurance, (ii) Sublessor shall not be bound by any representations or warranties of the Landlord under the Underlying Lease; (iii) in any instance where the consent of Landlord is required under the terms of the Underlying Lease, the consent of Landlord shall be required hereunder and, unless as otherwise expressly provided hereunder, the consent of Sublessor shall also be required; and (iv) Sublessor shall not be liable to Subtenant for any failure or delay in Landlord's performance of its obligations, as landlord under the Underlying Lease (but the foregoing shall not affect Sublessor's obligations under PARAGRAPH 5(Q) hereof).

(d) Sublessor will indemnify and hold Subtenant harmless from and against any loss, cost, damage, expense and liability, including, but not limited to, reasonable attorneys fees which Subtenant may incur to the extent arising by reason of (i) any breach or default hereunder, on Sublessor's part which is not caused (in whole or in part) by the acts or omission of Subtenant, (ii) any negligence of Sublessor or (iii) the termination of both the Underlying Lease and this Sublease, but only if caused solely by Sublessor and not permitted hereunder.

(e) Sublessor represents and warrants to Subtenant that (i) Sublessor is the current tenant under the Underlying Lease and has the right to enter into this Sublease subject to obtaining the Landlord Consent; (ii) the Underlying Lease is in force and effect and has not been modified or amended; (iii) a true and complete copy of the Underlying Lease (except for certain redactions which do not adversely affect Subtenant's obligations or rights under this Sublease) is attached hereto; (iv) to the actual knowledge of Sublessor, neither Landlord nor Sublessor is in default under the Underlying Lease beyond the expiration of the applicable grace period set forth therein; and (v) there are no subleases entered into by Sublessor which are currently in effect and which affect the use and occupancy of the subleased premises (it being understood that while the sublease of the seventh floor with Palm, Inc. expires on July 31, 2002 Palm, Inc. has vacated and surrendered possession of its space). Sublessor shall indemnify Subtenant from and against any and all reasonable out of pocket losses, costs, damages or expenses (including, without limitation, reasonable out of pocket costs and expenses for temporary office space and additional construction costs) to the extent caused by the failure of Sublessor to deliver to Subtenant any portion of the subleased premises (other than the first floor) free and clear of the rights of all subtenants and occupants (including, without limitation, Palm, Inc.) as of the applicable commencement date for the portion of the subleased premises in question provided and on the express condition that Subtenant uses reasonable efforts to mitigate its losses, costs, damages and expenses. Sublessor shall not voluntarily terminate the Underlying Lease except as otherwise expressly provided herein. Sublessor shall promptly deliver (but in no event more than five days after receipt) to Subtenant a copy of any notice of default or termination or any notice relating to any casualty or taking, given by Sublessor to Landlord or received by Sublessor from Landlord.

(f) All capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Underlying Lease.

(g) This PARAGRAPH 3 shall survive any termination or expiration of this Sublease.

4. BASE RENT. (a) Subtenant shall pay base rent during the Term at the following rates:

PERIOD	ANNUAL BASE RENT	MONTHLY BASE RENT
(i) First and second Sublease Years (as such term is defined below in PARAGRAPH 4(d))	$2,598,806 ($29 per rentable square foot)	$216,567.00
(ii) Third and fourth Sublease Years	$2,778,034 ($31 per rentable square foot)	$231,502.00
(iii) Fifth Sublease Year	$2,867,648 ($32 per rentable square foot)	$238,970.00
(iv) Sixth and seventh Sublease Years	$2,912,455 ($32.50 per rentable square foot)	$242,704.00

(a) (b) Base rent shall be payable in equal monthly installments in advance on the first day of each month during the Term commencing on the Rent Commencement Date.

(c) Notwithstanding the foregoing, provided that Subtenant is not in default under this Sublease beyond the expiration of the applicable grace or cure period set forth herein, base rent shall abate hereunder as follows: (i) during the first six months of the first Sublease Year, 100% of the base rent will abate; (ii) during months seven through eleven of the first Sublease Year, base rent will abate by $69,925 per month; (iii) during the twelfth month of the first Sublease Year, base rent will abate by $21,046 per month; and (iv) during the first two months of the second Sublease Year, base rent will abate by $21,046 per month.

(d) As used herein,

(i) the term "Rent Commencement Date" shall mean the earlier of (1) December 1, 2002 or (2) the first day on which Subtenant occupies all or substantially all of the subleased premises; and

(ii) the term "Sublease Year" shall mean the 12 month period commencing on the Rent Commencement Date or any anniversary of the Rent Commencement Date occurring during the Term except that the seventh Sublease Year shall be the period commencing on the sixth anniversary of the Rent Commencement Date and ending on the Expiration Date.

(e) Notwithstanding anything in clause (d) to the contrary, (i) if the Commencement Date occurs after May 20, 2002, then the Rent Commencement Date will be extended by twice the number of days from and including May 21, 2002 to the date the Commencement Date occurs.

5. SPECIFIC COVENANTS OF THE PARTIES. Notwithstanding anything to the contrary contained herein or in the Underlying Lease, the parties agree as follow:

(a) ADDITIONAL RENT. (i) The rent reserved under this Sublease shall consist of the base rent described in PARAGRAPH 4 above and the additional rent payable hereunder.

(ii) Subtenant shall pay to Sublessor from time to time during the Term, as additional rent hereunder, (1) for calendar year 2003 and for each calendar year thereafter during the Term an amount (the "RET Payment") equal to Subtenant's Pro Rata Share of the excess of Real Estate Taxes for such calendar year over the Real Estate Taxes for calendar year 2002, (2) for calendar year 2003 and for each calendar year thereafter during the Term an amount (the "OE Payment") equal to Subtenant's Pro Rata Share of the excess of Operating Expenses Allocable to the Premises for such calendar year over Base Amount Operating Expenses Allocable to the Premises (as such term is defined below in clause (vi)) and (3) for calendar year 2003 and. for each calendar year thereafter during the Term an amount (the "RS Payment") equal to Subtenant's Proportionate Share of the excess of all of the reasonable out of pocket costs and expenses incurred by Sublessor in providing the Retained Services (as such term as defined in Paragraph 5(m) below) to the Premises (collectively, the "RS Expenses") for such calendar year over Base Amount RS Expenses (as such term is defined below in clause (vi)). As used herein, the term "Subtenant's Pro Rata Share" shall mean 50.205%, it being understood that such percentage represents the fraction whose numerator equals the rentable square footage of the subleased premises (89,614) and whose denominator equals the rentable square footage of the Building (178,500). Said payments shall be made as provided below in clauses (iii) and (iv).

(iii) Sublessor shall give Subtenant, prior to or after the commencement of each calendar year commencing on or after January 1, 2003, a notice setting forth Sublessor's reasonable estimate of the RET Payment, the OE Payment and the RS Payment for such calendar year. Subtenant shall pay to Sublessor on the first day of each month during such calendar year an amount equal to 1/12th of the sum of Sublessor's estimates of the RET Payment, the OE Payment and the RS Payment for such calendar year. Sublessor may amend such estimate in whole or in part by notice given to Subtenant from time to time to reflect additional information about Real Estate Taxes, Operating Expenses Allocable to the Premises and/or RS Expenses that comes to Sublessor's attention or to correct any error made in any prior estimate; said notice may require an increase in monthly payments or a separate individual payment and Subtenant's payments shall be adjusted or made as provided in said notice. If Sublessor gives any such estimate for a calendar year subsequent to the commencement thereof, then until the first day of the month following the month in which such estimate is given to Subtenant, Subtenant shall pay to Sublessor on the first day of each month in such calendar year an amount equal to 100% of the monthly sum payable by Tenant under this paragraph for the last full month of the preceding calendar year.

(iv) After the end of each calendar year commencing with calendar year 2003, Sublessor shall give notice to Subtenant containing a statement of the Real Estate Taxes, Operating Expenses Allocable to the Premises and RS Expenses for such calendar year. Such statement shall set forth the correct amount of the RET Payment, the OE Payment and the RS Payment for such calendar year and the computation of Subtenant's payments on account thereof, and (1) in the event of a deficiency Subtenant shall pay to Sublessor the amount thereof within 10 days after demand therefor, and (2) in the event of an overpayment Sublessor shall promptly refund to Subtenant the amount thereof or, at Sublessor's option, permit Subtenant to credit the amount thereof against subsequent payments of additional rent. Sublessor will give to Subtenant a statement of Real Estate Taxes for each calendar year commencing with calendar year 2002, within 30 days after Sublessor receives the corresponding statement from Landlord pursuant to the Underlying Lease. Sublessor will give to Subtenant a statement of Operating Expenses Allocable to the Premises for each calendar year commencing with calendar year 2003, within 30 days after Sublessor receives the corresponding statement from Landlord pursuant to the Underlying Lease. Sublessor will give to Subtenant a statement of the RS Expenses for each calendar year commencing with calendar year 2003, within 120 days after the end of such calendar year. Sublessor will refund any over-payment made by Subtenant during the last year of the Term within 60 days of the determination of the amount owed to Subtenant.

(v) Notwithstanding anything in this Paragraph 5(a) to the contrary, if less than 100% of the rentable area of the Premises is occupied during all or any significant part of calendar year 2003, or any subsequent calendar year, then Operating Expenses Allocable to the Premises and RS Expenses will be recalculated by an independent and reputable property manager with at least 10 years experiences with managing Class A office buildings in the Cambridge, Mass area selected by Sublessor and approved by Subtenant (such approval not to be unreasonably withheld or delayed) as if 100% of the rentable area of the Premises were occupied throughout such calendar year.

(vi) For purposes of this Sublease, (1) Base Amount Operating Expenses Allocable to the Premises shall equal Operating Expenses Allocable to the Premises for calendar year 2003 (subject to the provisions of clause (v) above) multiplied by 0.97 and (2) Base Amount RS Expenses shall equal RS Expenses Allocable to the Premises for calendar year 2003 (subject to the provisions of clause (v) above)) multiplied by 0.97.

(vii) Upon at 10 days prior notice to Sublessor by Subtenant, Sublessor will grant to Subtenant the right to exercise Sublessor's examination rights pursuant to Section 7.7 of the Underlying Lease provided that a representative of Sublessor or Sublessor's agent or consultant may accompany Subtenant with respect to such examination. Within (60) days after receipt of each statement of RS Expenses, Subtenant or its duly authorized agent shall have the right to examine Sublessor's records relating to the calculation of RS Expenses. Sublessor shall make all its records relating to the calculation of RS Expenses available to Sublessor or said agent at reasonable times during regular business hours upon reasonable advance written notice. To the extent such audit reveals that Sublessor has overcharged Subtenant for RS Expenses and Sublessor, acting in good faith, shall not dispute such audit, Sublessor shall credit same against base rent next due or shall promptly refund such overcharge to Subtenant if the Term has then expired and Subtenant has no further obligation to Sublessor.

(b) PAYMENT OF BASE RENT AND ADDITIONAL RENT.

(i) Base rent and the additional rent payable by Subtenant hereunder and all other amounts payable by Subtenant to Sublessor hereunder shall be paid to Sublessor at its office at 1800 South Novell Place, Provo, Utah 84606, Attention: Real Estate Department or at such other place or places as Sublessor may designate to Subtenant, in lawful money of the United States, by good and sufficient check (subject to collection) or at Sublessor's option by wire transfer of immediately available funds to the account designated by Sublessor.

(ii) Subtenant does hereby covenant and agree to (A) pay the base rent and additional rent as and when the same shall become due and payable as herein provided, and except as otherwise specifically provided herein, without demand therefor and without any setoff or deduction whatsoever, and (B) keep, observe and perform, and to permit no violation of, each and every of the covenants, agreements, terms, provisions and conditions herein contained on the part of Subtenant to be kept, observed or performed.

(iii) If Subtenant shall pay base rent, or any RET Payment, OE Payment or RS Payment more than seven (7) days after the same is due and payable, Subtenant shall pay a late payment charge equal to four percent (4%) percent of the amount due. Such amount shall be payable as additional rent thereunder, and shall be payable in addition to any interest payable on such late payment of base rent, additional rent or other charges. Notwithstanding the foregoing, Sublessor will be entitled to the late payment charge during any calendar year only if Subtenant has failed to pay base rent or any RET Payment, OE Payment or RS Payment within seven (7) days after same is due and payable on two prior occasions during such calendar year.

(c) ELECTRICITY. (a) Prior to the Rent Commencement Date, Sublessor shall, at Sublessor's cost and expense, install one or more meters to measure all electricity consumed at the subleased premises (but specifically excluding any electricity used by any building wide system). Subtenant shall, at Subtenant's sole cost and expense, (i) arrange to obtain electricity service for the subleased premises directly from the utility company furnishing same to the Building and (ii) pay and be responsible for all charges relating to or arising from electricity furnished to the subleased premises directly to said company as and when billed. With respect to each portion of the subleased premises, prior to the installation of such meter(s), and after the installation of such meter(s), but prior to the earlier of (i) Subtenant's first using or occupying such portion of the subleased premises for its business or (ii) December 1, 2002, Sublessor shall be responsible to pay for electricity used at such portion of the subleased premises. With respect to each portion of the subleased premises, after the installation of such meter(s) and after the earlier of (i) Subtenant's first using or occupying such portion of the subleased premises for its business or (ii) December 1, 2002, Subtenant shall be responsible to pay for electricity used at such portion of the subleased premises.

(d) USE. Subtenant shall use and occupy the subleased premises only for the uses permitted under the Underlying Lease and which shall in all events be in compliance with all legal requirements and in keeping with the character of the Building, and for no other purpose.

(e) CONDITION OF SUBLEASED PREMISES. Sublessor and Subtenant covenant and agree that Subtenant is leasing the subleased premises in its "AS IS" condition on the date hereof and Sublessor shall have no obligation to perform any work to the subleased premises or to any part of the Building to prepare the subleased premises for occupancy by Subtenant. Sublessor makes no representation or warranty regarding the condition of the subleased premises or the Building or title to the subleased premises, except that Sublessor is the tenant under the Underlying Lease. In making and executing this Sublease, Subtenant has not relied upon or been induced by any statements or representations of any persons, other than those, if any, set forth expressly in this Sublease in respect of the physical condition of the subleased premises or the Building or of any other matter affecting the subleased premises or this transaction which might be pertinent in considering the leasing of said subleased premises or the execution of this Sublease. Subtenant has, on the contrary, relied solely on such representations, if any, as are expressly made herein and on such investigations, examinations and inspections as Subtenant has chosen to make or have made. Subtenant acknowledges that Sublessor has afforded Subtenant the opportunity for full and complete investigations, examinations, and inspections. If any alterations, improvements or other work are required in order to separate the subleased premises from the balance of the premises demised to Sublessor under the Underlying Lease or properly demise the subleased premises to Subtenant, same shall be performed by Subtenant at Subtenant's own cost and expense in accordance with the terms and provisions of this Sublease. All trade fixtures, furniture, furnishings and other personal property currently located in the subleased premises will be removed prior to the applicable commencement date.

(f) INTENTIONALLY OMITTED.

(g) NOTICES AND PAYMENTS. Notices and other communications hereunder shall be in writing and shall be given or made by nationally recognized overnight courier service providing for overnight delivery (e.g. Federal Express, DHL) or United States certified or registered mail with return receipt requested provided the sender shall obtain a written receipt for such delivery. All notices shall be deemed given when received, when acceptance of delivery is refused or when delivery is attempted but cannot be effectuated (as evidenced by the return receipt). All notices to Sublessor shall be given to it at the address set forth above with copies in like manner to Novell, Inc. at Two Oak Way, Berkley Heights, New Jersey 07922, Attention: Peggy Ronckovitz and to Kaye Scholer LLP, 425 Park Avenue, New York, New York 10022, Attention: Simon Cices, Esq. All notices to Subtenant shall be given to it (i) prior to the Rent Commencement Date, at its address set forth above and (ii) on or after the Rent Commencement at the subleased premises in both instances to the attention of Vice President of Corporate Services and to the Attention of Kit Meyer, Esq. with copy to Hale and Dorr, LLP, 60 State Street, Boston, Mass. 02109, Attention Sean Boulger, Esq. Either party may change its address or addresses for notices by a written notice to the other party. All payments to be made by Subtenant to Sublessor shall be delivered to Sublessor at its address set forth above or to such other address as Sublessor may hereafter designate in a written notice given under this paragraph.

(h) TIME LIMITS. The time limits provided in the Underlying Lease for the giving of notices, making demands, performance of any act, condition or covenant, or the exercise of any right, remedy or option, are changed for the purposes of this Sublease, by lengthening or shortening the same in each instance by five (5) days (except that if the time limit provided in the Underlying Lease for the giving of any notice, making any demand, performing any act, condition or covenant or exercising any right shall be seven (7) days or less, then such time limit shall be changed by lengthening or shortening the same by three (3) days provided that in no event will the time limit given to Subtenant be less than four (4) days), as appropriate, so that notices may be given, demands made, or any act, condition or covenant performed, or any right, remedy or option hereunder exercised, by Sublessor or Subtenant, as the case may be (and each party covenants that it will do so) within the time limit relating thereto contained in the Underlying Lease.

(i) TERMINATION OF UNDERLYING LEASE. If for any reason the term of the Underlying Lease is terminated or expires prior to the expiration date of this Sublease, this Sublease shall thereupon automatically be terminated, provided however, that the foregoing shall not affect the rights of Subtenant under the Landlord SNDA.

(j) CASUALTY AND CONDEMNATION. Upon the occurrence of a fire or other casualty or a condemnation or taking which permits the tenant under the Underlying Lease to terminate the Underlying Lease pursuant to SECTION 14.1 or SECTION 14.3 of the Underlying Lease, Sublessor shall have the right, at its election, to terminate the Underlying Lease, but only with the prior consent of Subtenant (which consent of Subtenant will not be unreasonably withheld or delayed), in which event this Sublease shall automatically terminate (without any liability to Sublessor) upon such a termination of the Underlying Lease. If (i) a fire or other casualty which damages the subleased premises occurs, (ii) either (1) according to Landlord's Restoration Estimate (as such term is defined in the Underlying Lease) such damage to the subleased premises cannot reasonably be expected to be repaired or restored within 360 days from the time that repair or restoration work would commence or (2) the damage occurred during the last nine months of the Term and according to Landlord's Restoration Estimate such damage to the subleased premises cannot reasonably be expected to be repaired or restored within one hundred eighty (180) days from the time that repair or restoration work would commence and (iii) Sublessor, as tenant under the Underlying Lease, has the right to terminate the Underlying Lease pursuant to SECTION 14.1 or SECTION 14.3 of the Underlying Lease, then Subtenant may, at its election, terminate this Sublease by notice given to Sublessor within 15 days following Tenant's receipt of Landlord's Restoration Estimate, in which event this Sublease will terminate on the date selected by Sublessor, which termination date will be not less than 30 days or more than 45 days after the date of notice of such termination. If a portion of the subleased premises shall be taken by condemnation or right of eminent domain and Sublessor has the right to terminate the Underlying Lease pursuant to SECTION 14.3 of the Underlying Lease, then Subtenant shall have the right to terminate this Sublease by giving notice to Sublessor no later than 15 days after Tenant has been deprived of possession, in which event this Sublease will terminate as of the 15th day after the date Subtenant is deprived of possession.

(k) ASSIGNMENT AND SUBLETTING. (i) Except as otherwise expressly provided below, Subtenant shall not, voluntarily or involuntarily or by operation of law or otherwise, assign, transfer, mortgage, pledge or encumber this Sublease, or sublet all or any part of the subleased premises or permit or suffer any person or entity to use or occupy all or any part of the subleased premises without in each instance obtaining the prior written consent of Sublessor. Any sale, assignment or transfer (whether by one or a series of related or unrelated transactions and whether voluntarily, involuntarily or by operation of law or otherwise) of 50% or more of the direct or indirect ownership interests in Subtenant shall be deemed an assignment of this Sublease requiring Sublessor's consent. The provisions of the preceding sentence shall not be applicable to Subtenant for as long as the shares of Subtenant's stock are regularly traded over the New York Stock Exchange, the American Stock Exchange or NASDAQ.

(ii) Notwithstanding anything contained in this Sublease to the contrary, (1) Sublessor shall not unreasonably withhold its consent to any assignment of this Lease or to any subletting of all or a portion of the subleased premises, and (2) Subtenant may assign this Sublease or sublet all or a portion of the subleased premises, without Sublessor's consent, to an Affiliate (as defined below), or in connection with a merger, consolidation or the sale of all or substantially all of the assets of Subtenant, provided that (A) in case of any assignment referred to in this clause (ii), such assignee shall assume in writing all of Subtenant's obligations hereunder and Subtenant shall not be relieved of its obligation hereunder, the form of the assignment and assumption of sublease document is reasonably satisfactory to Sublessor and an original thereof is delivered to Sublessor at least 10 days before the effective date thereof, and (B) in the case of any sublease described in this clause (ii) the form of the sublease document is reasonably satisfactory to Sublessor and (C) Sublessor shall not be deemed to have unreasonably withheld its consent to an assignment or sublease if (I) at the time Sublessor receives Subtenant's notice, Sublessor or its Affiliates are occupying more than 20,000 rentable square feet of the Building, and the assignee or sub-subtenant is Microsoft Corporation, BEA Associates, Iona Consulting or an Affiliate of any of the foregoing (provided, however, that this clause (C)(I) shall not apply if any one or more of said companies or their respective Affiliates is an Affiliate of Subtenant or if the applicable sublease or assignment is occurring in connection with any merger of Subtenant with any of said companies or their respective Affiliates or any acquisition or sale of stock or assets involving Subtenant and any of said companies or any of their Affiliates), (II) the proposed use or business of the assignee or subtenant will increase Sublessor's obligations under the Underlying Lease (other than in an insignificant manner), (III) in the case of an assignment, in Sublessor's reasonable judgment, the assignee does not possess adequate financial capability and liquidity to perform its obligation under this Sublease, (IV) there is then an uncured monetary default under this Sublease or an uncured non-monetary default under this Sublease which remained uncured beyond the expiration of the applicable grace period set for herein, (V) Sublessor has exercised its right of recapture set forth below in clause (iv) or (VI) there will be more than two occupants of any floor which comprises the subleased premises.

(iii) If Subtenant requires the consent of Sublessor with respect to an assignment of this Sublease or a sublease of all or part of the subleased premises Subtenant shall give a notice to Sublessor requesting Sublessor's consent and containing all of the information described in Section 12.5 of the Underlying Lease. Sublessor's failure to respond to Subtenant's request for Sublessor's consent with respect to a proposed assignment or sublease within 20 days after Sublessor receives Subtenant's written request and all of the information described in Section 12.5 of the Underlying Lease shall constitute Sublessor's consent to the requested assignment or sublease.

(iv) With respect to any assignment of this Sublease or sublease of all or substantially all of the subleased premises for all or substantially all of the remainder of the Term which requires Sublessor's consent, Sublessor shall have the right, at its option, by giving written notice to Subtenant, within 15 days after Sublessor's receipt of Subtenant's notice requesting Sublessor's consent to terminate this Sublease as of the proposed effective date of such assignment or sublease (which shall be set forth in Subtenant's notice to Sublessor requesting Sublessor's consent and which proposed effective date shall not be earlier than 15 days after the expiration of such 15 day period). If Sublessor shall exercise such right, then upon the commencement date of the proposed assignment or sublease, all of Sublessor's and Subtenant's obligations relating to the period after such date (but not those relating to the period before such termination date) shall cease. Further, in the event Sublessor does not exercise its option to terminate this Sublease within said 15 day period and an assignment or sublease, as applicable has not been executed and delivered to Sublessor within 90 days after the expiration of said 15 day period and in accordance with the terms of Subtenant's notice, Sublessor's waiver of the termination right shall be void and Subtenant shall not assign this Sublease or enter into a sublease without first giving Sublessor the notice set forth above in clause (iii) above and allowing Sublessor the opportunity to exercise its termination right set forth herein.

(v) With respect to any assignment or sublease consented to by Sublessor, such consent shall be upon the express and further condition, covenant and agreement, and Subtenant hereby covenants and agrees that in addition to the base rent additional rent and other charges to be paid pursuant to this Sublease and any amount payable by Subtenant pursuant to Section 12.6 of the Underlying Lease, as incorporated herein, with respect to such assignment or sublease fifty percent (50%) of the "Assignment/Sublease Profits" (as such term is hereinafter defined), if any, shall be paid to Sublessor. The "Assignment/Sublease Profits" shall be the excess, if any, of (A) the "Assignment/Sublease Net Revenues" as hereinafter defined over (B) the base rent and additional rent and other charges payable by Subtenant under this Lease (provided, however, that for the purpose of calculating the Assignment/Sublease Profits in the case of a sublease, appropriate proportions in the applicable base rent, additional rent and other charges under this Sublease shall be made based on the percentage of the subleased premises subleased and on the terms of the sublease). The "Assignment/Sublease Net Revenues" shall be the base rent, additional rent and all other charges and sums payable either initially or over the term of the sublease or assignment on account of the assigned or sublet interest in the subleased premises or services provided by or on behalf of Sublessor under this Sublease less the reasonable costs of Subtenant incurred in such subleasing or assignment (the definition of which shall include but necessarily be limited to rent concessions, brokerage commissions and alteration allowances) amortized over the term of the sublease or assignment. All payments of the Assignment/Sublease Profits due Sublessor shall be made within ten (10) days of receipt of same by Subtenant.

(vi) As used herein, the term "Affiliate" shall mean an entity which controls, is controlled by or is under common control with the entity in question where the term "control" means ownership of more than 50% of the ownership interests in the entity in question and the ability to control the management and operation of the entity in question.

(vii) Sublessor hereby agrees that Subtenant may, at Subtenant's sole cost and expense and at no cost, expense or liability to Sublessor, communicate directly with Landlord in order to obtain Landlord's consent to an assignment or sublease simultaneously with communicating with Sublessor to obtain its consent provided that the foregoing will not affect Sublessor's right to consent to such proposed assignment or sublease.

(viii) Sublessor agrees that the confidentiality provisions set forth in Section 12.5 of the Underlying Lease will apply to any information or documents given by Subtenant to Sublessor pursuant to this Paragraph 5(k).

(l) BROKER. Subtenant and Sublessor each represents and warrants to the other that the indemnifying party did not negotiate through or communicate with any broker in connection with this transaction other than The Columbia Group and the Staubach Company (collectively the "Brokers"). The Brokers shall be paid commissions by Sublessor pursuant to separate agreements. Subtenant agrees to indemnify, defend and hold Sublessor harmless from and against any and all claims, loss, liability, costs and expenses (including, without limitation, reasonable counsel fees), resulting from any claims that may be made against Sublessor by any broker or other person (other than the Brokers) claiming a commission, fee or other compensation by reason or of this transaction, if the same shall arise by, through or on account of any act of Subtenant or its representatives. Sublessor agrees to indemnify, defend and hold Subtenant harmless from and against any and all claims, loss, liability, costs and expenses (including, without limitation, reasonable counsel fees), resulting from any claims that may be made against Subtenant by any broker or other person claiming a commission, fee or other compensation by reason or of this transaction, if the same shall arise by, through or on account of any act of Sublessor or its representatives. The provisions of this clause (1) shall not be construed to be for the benefit of any third party.

(m) NO SERVICES BY SUBLESSOR. Subtenant agrees and acknowledges that Sublessor is not in control of the subleased premises, the Premises or the Building or of any of the services or facilities that may be appurtenant to or supplied at the subleased premises or by Sublessor, including, without limitation, electricity, heat, air conditioning, water, elevator service, repairs, maintenance, painting, and parking facilities other than the Retained Services (as defined below), which Retained Services are under the control of and to be provided by Sublessor, except as otherwise provided in Paragraph 6. Sublessor shall not be responsible for any failure or interruption, for any reason whatsoever, of any of such services or facilities to be provided by Landlord or to be provided by Sublessor, and except as otherwise provided in clause (n) below Subtenant agrees that no failure to furnish, or interruption of, any such services or facilities shall give rise to (i) an abatement, diminution or reduction of Subtenant's obligations hereunder whether in whole or in part, (ii) any constructive eviction, whether in whole or in part, or (iii) any liability on the part of Sublessor. If Subtenant shall require any service or utility in excess of those provided under the Underlying Lease at no cost or expense to the Tenant thereunder, Subtenant shall pay all costs and expenses incurred by Sublessor in providing same together with a three percent (3%) administrative charge.

(n) RENT ABATEMENT. Subtenant shall not be entitled to any rent abatement pursuant to the Underlying Lease, as incorporated herein by reference, unless and to the extent Sublessor shall receive a rent abatement from Sublessor pursuant to the Underlying Lease, as incorporated herein by reference, with respect to a portion of the subleased premises.

(o) RECORDATION. This Sublease shall not be recorded in any public office.

(p) SIGNS. Subtenant may not place any sign (i) in the interior of the Premises if it is visible outside of the Premises, (ii) on the exterior of the Premises, (iii) anywhere in the Building outside of the Premises or (iv) anywhere on the exterior of the Building in each instance without Sublessor's consent, which consent will not be unreasonably withheld. With respect to one sign on the exterior of the Premises on each of the first, sixth, seventh, eighth and nine floors of the Building, Sublessor's consent will not be unreasonably withheld provided that each such sign complies with all applicable laws and the consent of Landlord; if required, is first obtained. Subject to the last sentence of Section 17.27 of the Underlying Lease and to the written consent of Landlord (it being acknowledged an agreed that the waiver by Landlord of the limitations of said last sentence of Section 17.27 of the Underlying Lease so as to permit the erection and maintenance of such signage by Subtenant shall be a required provision of the Landlord Consent), Sublessor hereby assigns to Akamai Technologies, Inc. all of Sublessor's rights, if any, under Section 17.27 of the Underlying Lease to erect corporate signage on the exterior of the Building. Subtenant hereby assumes for the benefit of Sublessor all of the obligations of Sublessor under said Section 17.27. Subtenant shall be required, at Subtenant's sole cost and expense, to obtain Landlord's consent to such assignment. The rights hereby assigned by Sublessor to Subtenant are personal to Akamai Technologies, Inc. and may not be assigned sublet or otherwise transferred to any other party other than an assignee of Subtenant described in Section 12.2 of the Underlying Lease, as incorporated herein by reference.

(q) REFUSAL BY SUBLESSOR. Whenever pursuant to the terms of this Sublease or the Underlying Lease, Subtenant shall require the consent or approval of Landlord, and Subtenant delivers to Sublessor a request that Landlord give such consent or approval, then Sublessor agrees to deliver such request to Landlord promptly (but in any event within five (5) days) after its receipt by Sublessor. If after such delivery of a request for Landlord to give its consent or approval, Landlord fails or refuses to give such consent or approval, then, regardless of whether the Underlying Lease provides that such consent or approval shall not be unreasonably withheld and/or delayed, (i) Sublessor shall have no liability to Subtenant as a result thereof, and (ii) Sublessor shall have no obligation to obtain such consent. Notwithstanding the foregoing (i) if (1) if the consent or approval of Landlord is required, (2) Landlord fails or refuses to give such consent or approval (3) pursuant to the Underlying Lease, Landlord's consent or approval is not to be unreasonably withheld and (4) Subtenant in good faith believes that Landlord unreasonably withheld its consent or approval and promptly after such failure or refusal by Sublessor Subtenant notifies Sublessor of such good faith belief, then Sublessor agrees to use reasonable efforts (but at no cost, expense or liability to Sublessor) to cause Landlord to give its consent or approval to Subtenant with respect to the matter in question and (ii) if (1) pursuant to the Underlying Lease Landlord is required to provide or perform any service or obligation, (2) Landlord fails to provide or perform such service or obligation and (3) Subtenant notifies Sublessor of such failure, then Sublessor agrees, to use reasonable efforts, including, if reasonably appropriate, the commencement of a lawsuit (but at no cost, expense or liability to Sublessor) to cause Landlord to provide or perform such service or obligation.

(r) ALTERATIONS. (i) Sublessor shall make no alterations, installations, changes, renovations, additions, replacements or improvements ("Alterations") in to or about the subleased premises without, in each instance (1) the prior written consent of Sublessor and (2) compliance with the terms and provisions of the Underlying Lease. Notwithstanding the foregoing, the consent of Sublessor to an Alteration will not be unreasonably withheld if (1) the Alteration will not adversely affect (A) any structural or exterior element of the Building (B) any area or element of the Building outside of the subleased premises or (C) any Building system, (ii) either the consent of Landlord is not required under the Underlying Lease or such consent has been obtained and (3) if required pursuant to the Underlying Lease or by Landlord, Subtenant agrees to restore the Premises at the expiration or early termination of the Term to its condition prior to such Alteration. All Alterations will be performed by contractors approved by

Sublessor, such approval not to be unreasonably withheld. In addition, Subtenant may install a generator on the roof of the Building or in the loading dock area of the Building provided that the consent of Landlord is obtained, the consent of Sublessor is obtained (which consent will not be unreasonably withheld) and the provisions of the Underlying Lease and this Sublease are complied with. Sublessor has not objection to Subtenant removing prior to the end of the Term any generator or communication equipment installed in the subleased premises by Subtenant, provided that the foregoing is permitted under the Underlying Lease, or consented to in writing by Landlord in either instance with no liability or obligation to Sublessor. Notwithstanding the foregoing, the consent of Sublessor shall not be required with respect to any painting or other decorative Alteration.

(ii) Sublessor hereby approves of the Alterations described on EXHIBIT B attached hereto, provided that the provisions of this Sublease and the Underlying Lease are complied with.

(iii) With respect to each Alteration, Subtenant will not have the obligation to restore the subleased premises at the expiration or early termination of the Term to its condition prior to such Alteration if (1) either (A) Sublessor has no restoration obligation with respect to such Alteration pursuant to the Underlying Lease or (B) Landlord agrees in writing that Sublessor will have no restoration obligation with respect to such Alteration and (2) such Alteration is a customary and standard tenant improvement for premises used as office space.

(iv) With respect to Subtenant's initial Alterations to prepare the subleased premises for Subtenant's initial occupancy, Sublessor's failure to respond to Subtenant's request for Sublessor's consent for fifteen (15) days shall be deemed Sublessor's consent to such request.

(v) Subtenant may install lines, conduits and similar equipment through portions of the Building outside of the subleased premises in locations approved by Sublessor, such approval not to be unreasonably withheld.

(s) SECURITY DEPOSIT. (i) Subtenant shall deposit with Sublessor on or before May 10, 2002 by wire transfer of immediately available funds the sum of One Million Three Hundred Eighty Nine Thousand Seventeen and 00/100 Dollars ($1,389,017.00) to be held by Sublessor in a separate interest bearing account, or at Subtenant's option, (which option may be changed by Subtenant during the Term) a "clean", unconditional, irrevocable and transferable letter of credit (such letter of credit, as it may be renewed or replaced as provided herein, the "Letter of Credit") in said amount of $1,389,017.00, in form and substance satisfactory to Sublessor, issued by and drawn on a bank reasonably satisfactory to Sublessor and which is a member of the New York Clearing House Association, for the account of Sublessor, for a term of not less than one (1) year, as security for the faithful performance and observance by Subtenant of the terms, covenants, conditions and provisions of this Sublease, including, without limitation, the surrender of possession of the subleased premises to Sublessor as herein provided, provided, however, that on or before July 15, 2002 Subtenant shall increase the security deposit by $1,389,017.00, so that from and after July 15, 2002 the security deposit (whether it consists of cash or a Letter Credit) shall equal Two Million Seven Hundred Seventy Eight Thousand Thirty Four and 00/100 Dollars ($2,778,034.00). All interest accrued on the cash security shall be paid to Subtenant within 60 days after the end of each calendar year provided that there is then no uncured default hereunder. If Subtenant shall default beyond any applicable notice and/or grace period under any of the material terms, covenants or conditions of this Sublease, Sublessor may apply the whole or any part of the cash security so deposited (as appropriate), or present the Letter of Credit for payment and apply the whole or any part of the proceeds thereof (as appropriate), as the case may be, (i) toward the payment of any base rent, additional rent or any other item of rental as to which Subtenant is in default, (ii) toward any sum which Sublessor may expend or be required to expend by reason of Subtenant's default in respect of any of the terms, covenants and conditions of this Sublease, including, without limitation, any damage, liability or expense (including, without limitation, reasonable attorneys' fees and disbursements) incurred or suffered by Sublessor, and (iii) toward any damage or deficiency incurred or suffered by Sublessor in the reletting of the subleased premises, whether such damages or deficiency accrue or accrues before or after summary proceedings or other re-entry by Sublessor. If Sublessor presents the Letter of Credit for payment, the proceeds thereof not applied as provided above shall be held as cash security. If Sublessor applies or retains any part of the proceeds of the Letter of Credit or the cash security so deposited, as the case may be, Subtenant, within 15 days after demand, shall deposit with Sublessor the amount so applied or retained so that Sublessor shall have the full deposit on hand at all times during the Term. If Subtenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Sublease the Letter of Credit or the cash security, as the case may be, shall be returned to Subtenant within 30 days after the expiration date of the Term and after delivery of possession of the subleased premises to Sublessor, provided that Subtenant does not then owe any monies or other obligations hereunder to Sublessor. In the event of an assignment of the Underlying Lease and this Sublease by Sublessor, (i) Sublessor shall have the right to transfer the Letter of Credit or the cash security, as the case may be, to the assignee, and Subtenant shall cause, at no cost to Sublessor, the bank which issued the Letter of Credit to issue an amendment to the Letter of Credit or issue a new Letter of Credit naming the assignee as the beneficiary thereunder and (ii) provided that the new sublessor assumes in writing the obligations of Sublessor with respect to the return of the security deposit, Sublessor shall be released by Subtenant for all liability for the return of such cash security or the Letter of Credit, as the case may be, and Subtenant shall look solely to the new sublessor for the return of the cash security or the Letter of Credit, as the case may be. The provisions hereof shall apply to every transfer or assignment of the Letter of Credit or security made to a new Sublessor. Subtenant shall not assign or encumber or attempt to assign or encumber the monies deposited herein as security and neither Sublessor nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. Subtenant shall renew the Letter of Credit from time to time, at least thirty (30) days prior to the expiration thereof, and deliver to Sublessor a new Letter of Credit or an endorsement to the Letter of Credit, and any other evidence required by Sublessor that the Letter of Credit has been renewed for a period of at least one (1) year. The final expiration date of the Letter of Credit shall be no earlier than July 1, 2009. If Subtenant shall at any time fail to timely renew the Letter of Credit as aforesaid, Sublessor may present the Letter of Credit for payment and retain the proceeds thereof as cash security in lieu of the Letter of Credit.

(ii) If (1) for each of four consecutive calendar quarters, the Net Cash Flow (as defined in clause (v) below) of Subtenant shall be positive and (2) as of the last day of each of said four consecutive calendar quarters (A) Subtenant has at least $100 million of unencumbered cash and (B) the ratio of Subtenant's Current Assets to Subtenant's Current

Liabilities shall equal or exceed 2.0 to 1.0, then provided that Subtenant is not then in default hereunder, with respect to any monetary default or in default hereunder beyond the expiration of the applicable grace period, with respect to any non-monetary default, the required amount of the security deposit shall be reduced to $1,389,017, provided that if for any calendar quarter ending after the date of the reduction of the required amount of the security deposit the Net Cash Flow of Subtenant shall equal zero or be negative, then the required amount of the security deposit will be restored to $2,778,034 and within 40 days after the end of such calendar quarter Subtenant shall increase the security deposit to said amount of $2,778,034. Once the security is so increased, the provisions of the preceding sentence (with respect to the decease and subsequent increase of the security deposit) shall continue to be effective.

(iii) Notwithstanding anything herein to the contrary, as long as Subtenant is not then in default hereunder, with respect to any monetary default or in default hereunder beyond the expiration of the applicable grace period, with respect to any non-monetary default, on May 1, 2008 and on the first day of each month thereafter the required amount of the security deposit shall decrease by $231,502.83 per month (if the security deposit on May 1, 2008 is $2,778,034) or by $115,751.41 per month (if the security deposit on May 1, 2008 is $1,389,017) until the required amount of the security deposit shall be $694,508.49, at which time the required amount of the security deposit shall remain $694,508.49 until the end of the Term.

(iv) Within 30 days after the end of each calendar quarter during the Term, Subtenant shall deliver to Sublessor quarter-annual financial statements of Subtenant certified by the chief financial officer of Subtenant and accompanied by copies of the applicable Securities and Exchange Commission filings of Subtenant showing (i) the Net Cash Flow of Subtenant during such calendar quarter, (ii) the total cash owned by Subtenant as of the last day of such calendar quarter and (iii) the total Current Assets and total Current Liabilities of Subtenant as of the last day of such calendar quarter.

(v) As used herein, (i) the term "Net Cash Flow" shall mean the available net cash of Subtenant from operations after payment of all expenses, debt service and expenditures of Subtenant, (ii) the terms "Current Assets" and "Current Liabilities" shall have the meanings given to them under GAAP, and (iii) the term "GAAP" shall mean generally accepted accounting principles consistently applied.

(vi) Subtenant's failure to deposit with Sublessor the initial security deposit of $1,389,017 by May 10, 2002 shall constitute a material event of default hereunder entitling Sublessor to terminate this Sublease.

(t) PARKING. Subject to the terms and provisions of Article X of the Underlying Lease, Subtenant shall have the right to use one hundred seventy nine (179) unreserved parking privileges, at the rate paid by Sublessor for unreserved parking privileges pursuant to the Underlying Lease. Subtenant shall be obligated to pay for such privileges regardless of whether Subtenant in fact uses the same. All parking charges payable hereunder shall be deemed additional rent and shall be paid in advance on the first of each month with the installments of base rent due hereunder. Subtenant acknowledges that the rate for such parking privileges may increase at any time and Subtenant shall be responsible for the increase in such rate. As of the date hereof the rate for unreserved parking privileges is $235.00 per month per parking space. Subtenant shall have no right to use any reserved parking spaces. Subtenant shall have no right to use any reserved parking spaces which Sublessor has the right to use pursuant to the Underlying Lease and Subtenant shall have no obligation to pay any charges with respect to any such reserved parking spaces.

(u) COMMUNICATIONS EQUIPMENT. Subject to the provisions of the Underlying Lease and the provisions hereof, Subtenant shall have the right to install on portions of the roof (other than Landlord's Roof Area (as such term is defined in the Underlying Lease)) Communications Equipment (as such term is defined in the Underlying Lease) solely for use by Subtenant for communications, data and other transmission to and from the Building in connection with Subtenant's conduct of its business as permitted hereunder but for no other purpose. Notwithstanding the foregoing provisions of this paragraph, Subtenant or may not install any such Communications Equipment or connect any such Communications Equipment to the subleased premises except with the prior approval of Sublessor, which approval shall not be unreasonably withheld, delayed or conditioned. In furtherance thereof, with respect to any such Communications Equipment, Subtenant shall submit to Sublessor plans and specifications (including, but not limited to, design and size) for such Communications Equipment and proposed location thereof on the roof of the Building (other than on Landlord's Roof Area) for Sublessor's approval (including, but not limited to the size and aesthetics of such Communications Equipment and the architectural compatibility and relationship between such Communications Equipment and the general area of the Site (as such term is defined in the Underlying Lease) and neighboring roads). Subtenant, at Subtenant's expense, shall repair any damage to the Building resulting from the installation, operation, maintenance, repair, replacement or removal of its Communications Equipment. Upon the expiration or earlier termination of the Term, Subtenant, at Subtenant's expense shall remove its Communications Equipment and restore the portion of the roof and Building on or in which its Communications Equipment was located to as near as practicable its condition prior to the installation thereof. The exercise of rights by subtenant under this Paragraph 5(u) shall be subject to the approval of the Cambridge Redevelopment Authority if and to the extent required by said Authority.

(v) INAPPLICABLE PROVISIONS. The following provisions of the Underlying Lease shall not be part of and shall not apply to this Sublease: Section 1.2 (other than the following definitions "Building"; "Premises"; "Property"; "Electricity"; and "Tenant's Property"); Section 1.3; Section 2.1; Section 2.2(A); Section 2.2(C); Article III; Article IV; Section 6.2; Section 7.4; Section 7.6; Section 7.7; the last paragraph of Section 7.8; Section 7.9; Section 9.1.1; the parenthetical starting in the third line of Section 11.2 and ending in the sixth line thereof; the second sentence of Section 11.2; Section 12.3; Section 12.6; Section 13.1.1; Section 13.6; Section 17.5; Section 17.8; Section 17.9; Section 17.12; Section 17.13; the proviso in the next to last sentence and the last sentence of Section 17.15(b); Section 17.17(B); Section 17.24; Section 17.26; Section 17.27 and Exhibits B, C, E, F, G, H (Cleaning), I and J. Notwithstanding the foregoing, (i) Subtenant may install in the subleased premises up to seven (7) vending machines which dispense food, candy, non-alcoholic beverages and sundries, provided Subtenant obtains such permits and licenses, if any, as may be required under Legal Requirements, (ii) if Sublessor shall receive an abatement of rent pursuant to the third grammatical paragraph of Section 7.8 of the Underlying Lease due to electricity to the subleased premises ceasing to function, Sublessor shall grant to Subtenant an abatement of rent equal to the abatement granted to Sublessor under the Underlying Lease with respect to the subleased premises, and (iii) while the provisions of Section 2.2(A) shall not be part of and shall not apply to this Sublease, Sublessor will use reasonable efforts (at no cost, expense or liability to Sublessor) to ensure that Subtenant enjoys the rights granted by Landlord thereunder.

(w) SUBORDINATION. This Sublease and the term and estate hereby granted are and shall be subject and subordinate to (a) the lien of each mortgage which may now or at any time hereafter affect the Building or Sublessor's interest therein, (b) the Underlying Lease and (c) all other matters to which the Underlying Lease is subject. The foregoing provision for the subordination of this Sublease and the term and estate hereby granted shall be self-operative an no further instrument shall be required to effect any such subordination; but Subtenant shall, however, upon request by Sublessor, at anytime or times, execute and deliver any and all reasonable instruments that may be necessary or proper to effect such subordination or to confirm or evidence the same. Sublessor agrees that it will not voluntarily subordinate the Underlying Lease to the lien of any mortgage encumbering the Building or to any ground lease affecting the Building, unless required to do so pursuant to the Underlying Lease or pursuant to Section 17.12 or Section 17.13 of the Underlying Lease in connection with obtaining a Non-Disturbance Agreement or a Recognition Agreement (as such terms are defined in the Underlying Lease).

6. RETAINED SERVICES. Sublessor shall provide the following services to the Building (collectively the "Retained Services"); (a) security for the lobby of the Building, (b) interior Building cleaning services, and (c) trash removal services. Sublessor shall arrange for the cleaning of the subleased premises and the common areas of the Building in accordance with the cleaning specifications attached hereto as EXHIBIT C. Sublessor will provide security services to the lobby of the Building in accordance with the security specifications set forth on EXHIBIT D hereto. Notwithstanding the foregoing, Sublessor may at any time without the prior consent of Subtenant but upon five (5) days prior notice to Subtenant, arrange for Landlord to perform all or part of the Retained Services.

7. SUBTENANT'S RIGHT OF FIRST REFUSAL - SUBLEASES. If at any time (a) Sublessor desires to sublease any space in the Building (the "ROFR Space") to any third party (other than to an Affiliate of Sublessor and other than pursuant to a then existing right to sublease set forth in a then existing sublease affecting space in the Building, there being no such right on the date hereof, and Sublessor agreeing that no such right superior to Subtenant's rights hereunder shall be granted to a subtenant unless disclosed in the LOI given to Subtenant in connection with the applicable sublease) and (b) Sublessor shall receive a term sheet or letter of intent from an unrelated third party (an "LOI"), with respect to the ROFR Space which Sublessor desires to accept then Sublessor shall not enter into a sublease with respect to such ROFR Space with such entity pursuant to such LOI, unless Sublessor complies with the provision of this PARAGRAPH 7. Without limiting the foregoing or any other provision of this Sublease to the contrary, the right of first refusal to sublease hereby granted to Subtenant shall be superior to any right or option to extend the term or expand the area of any other sublease and to any other right of first offer, right of first refusal or other similar right or option of first opportunity granted to any other subtenant or other party (other than an Affiliate of Sublessor) (Sublessor hereby further representing and warranting that there is no such right or option in favor of any subtenant or other party on the date hereof), it being understood and agreed that the term of any other sublease may not be

extended beyond the initial term of such sublease, nor shall the area occupied by any subtenant be expanded beyond the area initially occupied by such subtenant, nor shall any right of first refusal, right of first offer or other similar right or option of first opportunity granted to any subtenant or other third party be exercised without again complying with the provisions of this Section 7 solely with respect to such extension, expansion or other right or option as though such extension, expansion or other right or option constituted a new LOI which Sublessor desires to accept. Within 10 days after Sublessor's receipt of the LOI, Sublessor shall give a notice (the "ROFR Notice") to Subtenant offering to lease the ROFR Space to Subtenant on the same terms and conditions as are set forth in the LOI, which ROFR Notice shall be accompanied with a copy of the LOI. Subtenant shall have 10 days from the giving of the ROFR Notice to elect to sublease the ROFR Space on the terms and conditions of the LOI by giving written notice of such election to Sublessor. Subtenant's failure to give any notice to Sublessor within said 10 day period shall be Subtenant's irrevocable election not to sublease the ROFR Space. If Subtenant shall timely and properly elect to sublease the ROFR Space, then within 20 days after the giving of Subtenant's notice to Sublessor, Sublessor and Subtenant shall enter into a sublease for the ROFR Space on the terms and conditions set forth in the LOI and otherwise on the terms and conditions of this Sublease. If Subtenant shall elect or be deemed to have elected not to sublease the ROFR Space, Sublessor shall be free to enter into a sublease substantially on the terms of the LOI or on terms that are more advantageous to Sublessor. If Sublessor does not enter into such a sublease within 120 days after the expiration of said 10 day period, Sublessor must first again comply with the provisions of this Paragraph 7, before subleasing the ROFR Space.

8. SUBTENANT'S RIGHT OF FIRST REFUSAL - ASSIGNMENT. If at any time (a) Sublessor desires to assign Sublessor's rights under the Underlying Lease, this Sublease and all other then existing Subleases affecting the Premises (the "Assets") to any third party (other than to an Affiliate of Sublessor) and (b) Sublessor shall receive an LOI with respect to the purchase of the Assets which Sublessor desires to accept then Sublessor shall not sell the Assets to such entity pursuant to such LOI, unless Sublessor complies with the provision of this PARAGRAPH 8. Within 10 days after Sublessor's receipt of the LOI, Sublessor shall give a notice (the "Asset Notice") to Subtenant offering to sell the Assets to Subtenant on the same terms and conditions as are set forth in the LOI, which Asset Notice shall be accompanied with a copy of the LOI. Subtenant shall have 10 days from the giving of the Asset Notice to elect to purchase the Assets on the terms and conditions of the LOI by giving written notice of such election to Sublessor. Subtenant's failure to give any notice to Sublessor within said 10 day period shall be Subtenant's irrevocable election not to purchase the Assets. If Subtenant shall timely and properly elect to purchase the Assets, then within 20 days after the giving of Subtenant's notice to Sublessor, Sublessor and Subtenant shall enter into a contract of sale and assignment documents on the terms and conditions set forth in the LOI. If Subtenant shall elect or be deemed to have elected not to purchase the Assets, Sublessor shall be free to sell the Assets substantially on the terms of the LOI or on terms that are more advantageous to Sublessor. If Sublessor does not sell the Assets within 120 days after the expiration of said 10 day period, Sublessor must first again comply with the provisions of this Paragraph 8 before selling the Assets.

9. LANDLORD'S APPROVAL. This Sublease shall have no effect until Landlord shall have delivered to Sublessor its written consent to this Sublease (the "Landlord Consent") and a subordination non-disturbance and attornment agreement in favor of Subtenant (the "Landlord SNDA") both in form and substance reasonably satisfactory to Sublessor and Subtenant.

Sublessor agrees to use reasonable efforts (without, however, having to incur any cost, expense or liability other than the costs and expenses set forth in Section 12.7B of the Underlying Lease which Sublessor shall be responsible to pay) to obtain the Landlord Consent and the Landlord SNDA. If Sublessor does not receive both the Landlord Consent and the Landlord SNDA for any reason whatsoever on or before June 17, 2002, then (a) Sublessor shall not be obligated to take any action to obtain the Landlord Consent or the Landlord SNDA, (b) this Sublease shall be deemed void and of no effect and if Subtenant is then in possession of all or any part of the subleased premises, Subtenant shall immediately quit and surrender to Sublessor the subleased premises, remove all of its property and repair any damage caused by such removal and restore the subleased premises to the condition in which they were prior to the installation of the items so removed, and (c) Sublessor will return the security deposit to Subtenant. Notwithstanding this Sublease being deemed null and void and of no effect as aforesaid, if Subtenant shall have been in possession of all or any part of the subleased premises, Subtenant shall pay to Sublessor the base rent and other charges for the period prior to Subtenant's quitting and surrendering the subleased premises as aforesaid, and shall otherwise be obligated under this Sublease as if it was the Subtenant and this Sublease were in full force and effect.

10. APPORTIONMENT. If the Term does not commence on the first day of a month or end on the last day of a month, base rent, additional rent and all other charges for the partial month(s) will be apportioned.

11. AMENDMENT OF UNDERLYINGLEASE. Sublessor shall have the right to modify or amend the Underlying Lease without the prior written consent of Subtenant, unless such modification or amendment shortens the term of the Underlying Lease, terminates this Sublease, reduces any rights or services to be provided to Subtenant under this Sublease, increases any financial obligation of Subtenant hereunder, increases (other than in an insignificant manner) any non-financial obligation of Subtenant hereunder, in which event Subtenant's consent to such modification or amendment shall be required; and any reference in this Sublease to the Underlying Lease, shall mean the Underlying Lease as modified or amended from time to time, provided that if Subtenant properly withholds its consent, Subtenant shall not be subject to the terms and provisions of such modification or amendment.

12. GOVERNING LAW. Irrespective of the place of execution or performance, this Sublease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

13. MISCELLANEOUS.

(a) PRIOR UNDERSTANDINGS; ENTIRE AGREEMENT. All understandings and agreements heretofore had between the parties are merged in this Sublease and any other written agreement(s) made concurrently herewith, which alone fully and completely express the agreement of the parties. This Sublease contains a complete statement of all the agreements and arrangements between the parties with respect to its subject matter and cannot be changed or terminated orally. This Sublease shall be construed without any presumption against the party drafting this Sublease or causing the same to be drafted.

(b) SUBMISSION TO JURISDICTION. Subtenant and Sublessor each (i) irrevocably agrees that any suit, action or other legal proceeding arising out of or relating to this Sublease may be brought in the Courts of the Commonwealth of Massachusetts or of the United States of America located in Middlesex County, (ii) consents to the jurisdiction of each such court in any such suit, action or proceeding and (iii) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

(c) LOBBY. The parties agrees to cooperate and work together to change the lobby signage to reflect that the Building will cease to be a one tenant building and will be a multi-tenant building. The changes (but excluding any new signage for Subtenant) will be made at Sublessor's cost and expense on or before October 1, 2002.

(d) CAPTIONS. The marginal captions in this instrument are used for convenience in finding the subject matters, and are not to be taken as part of this instrument, or to be used in determining the intent of the parties, or otherwise interpreting this Sublease.

(e) SUBLESSOR'S COST AND EXPENSES. If Subtenant shall be in default under this Sublease and such default shall remain uncured beyond the expiration of the applicable grace period set forth herein, all attorneys' fees and all other costs and expenses incurred by Sublessor in enforcing Sublessor's rights hereunder or in collecting any base rent or additional rent hereunder shall be additional rent hereunder and shall be payable by Subtenant within five days after notice from Sublessor.

(f) SUBTENANT'S COST AND EXPENSES. If Sublessor shall be in default under this Sublease and such default shall remain uncured for thirty (30) days after written notice from Subtenant (provided that if such default cannot with reasonable diligence be cured within said 30 day period and Sublessor is diligently pursuing to complete such cure such 30 day grace period shall be extended as long as Sublessor is diligently proceeding to complete such cure), all attorneys' fees and all other costs and expenses incurred by Subtenant in enforcing Subtenant's rights hereunder shall be payable by Sublessor within five days after notice from Subtenant.

(g) SUBLESSOR'S RIGHT. Sublessor or Sublessor's agents shall have the right (but shall not be obligated) to enter the subleased premises in any emergency at any time and without notice (provided that Sublessor shall give written notice within one business day after such emergency entry), and, at other times upon at least one business day's prior written notice during normal business hours on business days (and at Subtenant's option accompanied by a representative of Subtenant), to examine or inspect the same and to make such repairs, replacements, alterations, improvements, or additions as Sublessor may deem necessary or desirable to any portion of the subleased premises or the Building or which Sublessor may elect to perform, in the subleased premises or the Building following Subtenant's failure to make repairs or perform any work which Subtenant is obligated to perform under this Sublease, or for the purpose of complying with laws, regulations and other directions of governmental authorities. Subtenant shall permit Sublessor to use, repair, maintain and replace pipes, ducts, wires, conduits and appurtenant fixtures in and through the subleased premises and to erect or install new pipes, ducts, wires, conduits and appurtenant fixtures therein provided that such erection or installation will not materially and adversely interfere with Subtenant's use of the subleased premises. Sublessor may, during the progress of any work in the subleased premises, take all reasonably necessary materials and equipment into the subleased premises without the same constituting an eviction nor shall Subtenant be entitled to any abatement of rent while such work is in progress nor to any damages by reason of loss or interruption of business or otherwise. Sublessor agrees, when performing work in the subleased premises to use reasonable efforts to minimize interference with Subtenant's business provided that Sublessor shall have no obligation to pay workers at so-called overtime rates. If, after giving the notice, if any, required above, Subtenant is not present to open and permit an entry into the subleased premises, Sublessor or Sublessor's agent may enter the same whenever such entry may be necessary or permissible by master key or in the event of emergency (after trying to give written or oral notice to Subtenant) forcibly and provided reasonable care is exercised to safeguard Subtenant's property and such entry shall not render Sublease or its agent liable therefor, nor in any event shall the obligations of Subtenant hereunder be affected.

(h) SUCCESSORS AND ASSIGNS. This Sublease shall apply to all respective successors and permitted assigns of the parties hereto but this paragraph shall not be construed as a consent to any assignment or subletting by Subtenant.

(Signatures on next page)

IN WITNESS WHEREOF, this Sublease has been duly executed by Sublessor and Subtenant as of the day and year first herein above written.

NOVELL, INC.

By: /s/ Jack Messman

Name: Jack Messman
Title: Chief Executive Officer

By: /s/ John Hankey

Name: John Hankey
Title: Vice President, Real Estate

AKAMAI TECHNOLOGIES, INC.

By: /s/ Paul Sagan

Name: Paul Sagan
Title: President

LIST OF EXHIBITS

FIRST AMENDMENT TO SUBLEASE

FIRST AMENDMENT TO SUBLEASE (this "Agreement") made as of the 6th day of June, 2002 between NOVELL, INC., a Delaware corporation having an office at 1800 South Novell Place, Provo, Utah 84606 ("Sublessor"); and AKAMAI TECHNOLOGIES, INC., a Delaware corporation having an office at 500 Technology Square, Cambridge, Mass. 02139 ("Subtenant").

RECITALS

A. Sublessor have entered into a sublease dated as of May 3, 2002 (the "Existing Sublease") relating to certain space in the building know as Eight Cambridge Center, Cambridge, Massachusetts.

B. The parties hereto desire to amend the Existing Sublease as hereinafter provided.

AGREEMENT

1. DEFINED TERMS. All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Existing Sublease.

2. LANDLORD CONSENT AND LANDLORD SNDA. Concurrently with the execution of this Agreement, Landlord, Sublessor and Subtenant have entered into a consent agreement dated as of the date hereof (the "Consent Agreement"). Sublessor and Subtenant each confirms and acknowledges that (a) it has received the Consent Agreement and (b) the Consent Agreement constitutes both the Landlord Consent and the Landlord SNDA in form and substance satisfactory to it.

3. AMENDMENT TO PARAGRAPH 2. Paragraph 2 of the Existing Sublease is hereby deleted and the following is inserted in its place.

> TERM. The term of this Sublease (the "Term") (a) shall commence with respect to the portion of the subleased premises located on the first floor on June ___, 2002, the date that Sublessor and Subtenant received an original of the Consent Agreement (the "Commencement Date"), (b) shall commence with respect to the balance of the subleased premises on the later of the Commencement Date or June 12, 2002 and (c) shall end at the close of business on May 31, 2009 (the "Expiration Date") or upon such earlier date upon which the term of this Sublease may expire or be terminated pursuant to the terms and provisions of this Sublease or pursuant to law.

4. AMENDMENT TO PARAGRAPH 4. Paragraph 4(c) of the Existing Sublease is hereby deleted.

5. SUBLESSOR'S CONTRIBUTION.

(a) In lieu of Sublessor performing any work to the subleased premises, Sublessor will contribute the aggregate amount of One Million Seven Hundred Twelve Thousand One Hundred Sixty Five Dollar ($1,712,165), towards the cost of Subtenant's initial work subject to the terms and conditions set forth below in clause (b).

(b) Sublessor will pay to Subtenant (i) the sum of $570,721.67 on July 17, 2002, (ii) the sum of $570,721.67 on September 30, 2002 and (iii) the sum of $570,721.66 on the later of October 7, 2002 or five business days after Sublessor receives a certificate from the architect supervising Tenant's initial work at the subleased premises certifying that Tenant's initial work at the subleased premises has been substantially completed, provided and on the express condition that on each such date (1) the face amount of the Letter of Credit has previously been increased to $2,778,034, (2) there shall exist no default by Subtenant under the Existing Sublease, as amended hereby, which remains uncured beyond the expiration of the applicable grace period set forth therein, (3) none of the events described in clauses (e), (f), (g), (h), (i) or (j) of Section 15.1 of the Underlying Lease has occurred to Subtenant and remain in effect (except that for purposes of this clause (3) the grace period for an involuntary bankruptcy or proceeding shall be 15 days, and not 75 days) and (4) no mechanic's lien has been filed against or attached to or otherwise encumbers the subleased premises or any other portion of the Building as a result of any of Subtenant's initial work which has not been bonded or discharged.

(c) If Sublessor shall fail to make any payment required to be paid by Sublessor pursuant to Paragraph 5(b) above and such failure shall remain uncured for 10 days after written notice from Subtenant, then Subtenant will have the right to set off against the base rent required to be paid by Subtenant under the Existing Sublease, as amended hereby, the amount of such defaulted payment.

6. SECOND AMENDMENT TO THE LEASE. Immediately prior to the execution of this Agreement, Landlord and Sublessor have entered into a second amendment to lease dated as of the date hereof (the "Second Lease Agreement"). Subtenant hereby consents to the execution and delivery by Sublessor of the Second Lease Amendment. All references in the Existing Sublease to the "Underlying Lease", shall hereafter mean the Underlying Lease (as such term is defined in the Existing Sublease), as amended by the Second Lease Amendment.

7. SECURITY DEPOSIT. The date by which Subtenant was obligated pursuant to Section 5(s) of the Existing Sublease to deliver the $1,389,017 Letter of Credit was extended to May 30, 2002. Subtenant delivered the $1,389,017 Letter of Credit to Sublessor on May 29,

2002. Concurrently with the execution and delivery of this Agreement, Subtenant has delivered to Sublessor an amendment to said Letter of Credit in the form of Exhibit A attached hereto.

8. DELIVERY OF SECURITY DEPOSIT AFTER TERMINATION OF UNDERLYING LEASE. Within 10 days after the termination of the Underlying Lease due to the occurrence of an event of default thereunder and provided that the Existing Sublease, as amended hereby, is then in force and effect, Sublessor will deliver to Landlord (a) the security deposit then being held by Sublessor under the Existing Sublease, as amended hereby, (whether such security deposit is in the form of the Letter of Credit or cash) and (b) if the security deposit is in the form of the Letter of Credit, an assignment of the Letter of Credit in favor of Landlord signed by Sublessor in the form attached to the Letter of Credit. Sublessor agrees to indemnify, defend and hold Subtenant harmless from and against any liability, damage, cost or expense (including, without limitation, reasonable attorney's fees) incurred by Subtenant as a result of Sublessor failing to perform its obligations under the preceding sentence, provided however that in no event will Sublessor's liability under this Paragraph 8 exceed the amount of the security deposit being held by Sublessor as of the date the Underlying Lease terminates.

9. ALTERATIONS. While Sublessor has approved Subtenant's proposed layout of the floors of the subleased premises as shown on Exhibit B to the Existing Sublease, Sublessor must still review and approve Subtenant's plans and specifications, such approval not to be unreasonably withheld.

10. ASSIGNMENT AND TERMINATION OF THE LEASE. Sublessor hereby covenants and agrees that while the Existing Sublease, as amended, is in force and effect, (a) Sublessor will not request or accept the consent of Landlord to an assignment of the Underlying Lease if such request or acceptance would permit Landlord to recapture the subleased premises, and (b) Sublessor will not voluntarily terminate the Lease except as otherwise provided in Paragraph 5(j) of the Existing Sublease.

11. MISCELLANEOUS.

(a) Except as amended hereby, the Existing Sublease shall remain unchanged in force and effect.

(b) This Agreement may be executed in two counterparts but will constitute one agreement.

(Signatures on following page)

IN WITNESS WHEREOF, Sublessor and Subtenant have executed this Agreement as of the day first written above.

NOVELL, INC.

/s/ Novell, Inc.

AKAMAI TECHNOLOGIES, INC.

/s/ Akamai Technologies, Inc.

EXHIBIT A

UBS PaineWebber Inc.
Letter of Credit Department
1200 Harbor Boulevard - 4th Floor
Weehawken, NJ 07087
Tel: 201-352-3143
Fax: 201-352-7622

BENEFICIARY:

Novell, Inc.
1800 South Novell Place
Provo, Utah 84606

June __, 2002

AMENDMENT NUMBER 1
TO IRREVOCABLE STANDBY
LETTER OF CREDIT NO. RAIDV3

Irrevocable Standby Letter of Credit No. RAIDV3 (the "Letter of Credit") issued on May 28, 2002 in the face amount of $1,389,017 in favor of Novell, Inc. ("Beneficiary") is hereby amended as follows:

(a) The second grammatical paragraph of the Letter of Credit is hereby amended by inserting the words "as it may be amended from time to time" after the word "subtenant" in line 6 thereof.

(b) The sixth grammatical paragraph of the Letter of Credit is hereby amended by deleting the words "our consent and" in line 2 thereof.

Very truly yours,

UBS PAINE WEBBER INC.

By: ________________________

AGREED:

NOVELL, INC.

By: ____________________

EXHIBIT 10.15

AKAMAI TECHNOLOGIES, INC.

Incentive Stock Option Agreement Granted Under
SECOND AMENDED AND RESTATED 1998 STOCK INCENTIVE PLAN, AS AMENDED

1. GRANT OF OPTION.

This Incentive Stock Option Agreement (this "Agreement") evidences the grant by Akamai Technologies, Inc., a Delaware corporation (the "Company"), on July 12, 2002 (the "Grant Date") to George H. Conrades, an employee of the Company (the "Participant"), of an option to purchase, in whole or in part, on the terms provided herein, in the Company's Second Amended and Restated 1998 Stock Incentive Plan, as amended (the "Plan") and in that certain Employment Agreement, of even date herewith, by and between Mr. Conrades and the Company (the "Employment Agreement"), a total of 750,000 shares (the "Shares") of common stock, $0.01 par value per share, of the Company ("Common Stock") at $1.26 per Share. Unless earlier terminated, this option shall expire on July 12, 2012 (the "Final Exercise Date").

It is intended that the option evidenced by this agreement shall, to the extent it so qualifies, be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended and any regulations promulgated there under (the "Code"). Under the terms of the Code, all or a portion of this option may not qualify as an incentive stock option. Except as otherwise indicated by the context, the term "Participant", as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms.

2. VESTING SCHEDULE.

(a) GENERAL. Subject to the terms and conditions set forth in this Agreement, including the accelerated vesting provisions set forth in Sections 2(b) and (c) below, this option will become fully exercisable ("vest") on the third anniversary of the Grant Date.

(b) ACCELERATED VESTING UPON CERTAIN CORPORATE MILESTONES. This option, as to the number of shares set forth below, shall become vested, as follows:

(i) as to 250,000 shares, on the last day of the first calendar quarter ending on or before December 31, 2003 that the Company has Revenue (as defined below) of at least $50,000,000 and a Gross Profit Percentage (as defined below) of at least sixty-five percent (the "First Milestone"); and

(ii) on the last day of each successive calendar quarter after the calendar quarter in which the First Milestone is achieved:

(A) if there have been no Missed Quarters (as defined below), as to the lesser of 250,000 or any unvested shares, if Revenue for such calendar quarter is greater than $50,000,000 and Gross Profit Percentage for such calendar quarter is at least sixty-five percent; or

(B) if there has been a Missed Quarter, as to the lesser of 200,000 or any unvested shares, if Revenue for such calendar quarter is greater than $50,000,000 and Gross Profit Percentage for such calendar quarter is at least sixty-five percent.

Notwithstanding the foregoing, upon a Change in Control Event (as defined in the Plan), the provisions of this Section 2(b) shall not apply.

(c) ACCELERATED VESTING UPON A CHANGE IN CONTROL EVENT. If within twelve months following a Change in Control Event, Mr. Conrades terminates his employment for Good Reason (as defined below) or if Mr. Conrades is terminated for any reason other than Cause (as defined below), the remaining number of unvested shares of the original Shares shall vest as though one-third of such unvested shares had vested on each anniversary of the Grant Date.

(d) CUMULATIVE. The right of exercise in Sections 2(b) and (c) hereof shall be cumulative so that to the extent the option is not exercised in any period to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all shares for which it is vested until the earlier of the Final Exercise Date or the termination of this option under Section 3 hereof or the Plan.

(e) DEFINITIONS.

(i) Cause shall mean willful misconduct by the Participant or willful failure by the Participant to perform his responsibilities to the Company (including, without limitation, breach by the Participant of any provision of the Employment Agreement, that certain Invention and Non-Disclosure Agreement, dated March 26, 1999, by and between the Company and the Participant (the "Invention Agreement"), that certain Non-Competetion and Non-Solicitation Agreement, dated March 26, 1999, by and between the Company and the Participant (the "Non-Competition Agreement"), or any other employment, consulting, advisory, nondisclosure, non-competition or other similar agreement between the Participant and the Company), as determined by the Board of Directors of the Company, which determination shall be conclusive. The Participant shall be considered to have been discharged for "cause" if the Company determines, within 30 days after the Participant's resignation, that discharge for cause was warranted.

(ii) Good Reason shall mean the occurrence, without the Participant's written consent, of any of the events or circumstances set forth in clauses (A) through (E) below. Notwithstanding the occurrence of any such event or circumstance, such occurrence shall not be deemed to constitute Good Reason if, prior to the date of termination specified in the notice of termination given by the Participant in respect thereof, such event or circumstance has been fully corrected and the Participant has been reasonably compensated for any losses or damages resulting there from.

(A) the assignment to the Participant of duties inconsistent in any material respect with the Participant's position (including status, offices, titles and reporting requirements), authority or responsibilities as set forth in the Employment Agreement, or any other action or omission by the Company which results in a material diminution in such position, authority or responsibilities, other than an assignment to the Participant of duties or a diminution in his position, authority or responsibilities, with respect to a change in his position from Chief Executive Officer and Chairman of the Board of Directors to the position of Chairman of the Company and Chairman of the Board of Directors;

(B) a reduction in the Participant's annual base salary as in effect on the Grant Date or as the same was or may be increased thereafter from time to time, other than in the case of reductions in salary or bonus eligibility with respect to similarly situated employees of the Company generally;

(C) the failure by the Company to (1) continue in effect any material compensation or benefit plan or program (including without limitation any life insurance, medical, health and accident or disability plan and any vacation or automobile program or policy) (a "Benefit Plan") in which the Participant participates or which is applicable to the Participant immediately prior to the Grant Date, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan or cash compensation) has been made with respect to such plan or program, (2) continue the Participant's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Participant's participation relative to other participants, than the basis existing immediately prior to the Grant Date or (3) award cash bonuses to the Participant in amounts and in a manner substantially consistent with past practice in light of the Company's financial performance; other than in the cases of (1), (2) or (3) above of such failures by the Company that apply to similarly situated employees of the Company generally;

(D) a change by the Company in the location at which the Participant performs his principal duties for the Company to a new location that is both (i) outside a radius of 35 miles from the Participant's principal residence immediately prior to the Grant Date and (ii) more than 20 miles from the location at which the Participant performed his principal duties for the Company immediately prior to the Grant Date; and

(E) any material breach by the Company of this Agreement or the Employment Agreement.

(iv) Gross Profit Percentage means the fraction, expressed as a percentage, the numerator of which is the gross profit of the Company for the applicable period as reported in the Company's condensed consolidated financial statements as filed with the Securities and Exchange Commission in the Company's applicable Form 10-K or Form 10-Q (the "Financial Statements") and the denominator of which is the total revenue of the Company for the applicable period as reported in the Financial Statements.

(v) Missed Quarter shall mean any calendar quarter occurring after the First Milestone is achieved in which Revenue for such calendar quarter is less than $50,000,000 or the Gross Profit Percentage for such calendar quarter is less than sixty-five percent.

(vi) Revenue shall mean revenue, including, but not limited to, one-time streaming and EdgeSuite event revenue and revenue derived from already signed relationships ongoing as of the date hereof with Akamai Technologies Japan KK and Sockeye Networks Inc.: (A) derived from products and services related to contracts that exceed 12 months in original term and that has the potential to recur indefinitely; or (B) from software licenses that are sold on a perpetual or term basis and maintenance on such licenses that is recurring in nature. Notwithstanding the foregoing, the definition of revenue shall not include: (A) strategic revenue booked from new barter deals or one-time special deals; or (B) revenue to be booked from possible new affiliated deals, not outstanding on the date hereof. All revenue associated with products or services sold on a recurring basis, including bursting, is reflected as recurring revenue for external reporting purposes.

3. EXERCISE OF OPTION.

(a) FORM OF EXERCISE. In order to exercise this option, the Participant shall notify the Company's third-party stock option plan administrator, Charles Schwab & Co., or any successor appointed by the Company (the "Plan Administrator"), of the Participant's intent to exercise this option, and shall follow the procedures established by the Plan Administrator for exercising stock options under the Plan and provide payment in full in the manner provided in the Plan. The Participant may purchase less than the number of shares covered hereby, provided that no partial exercise of this option may be for any fractional share.

(b) CONTINUOUS RELATIONSHIP WITH THE COMPANY REQUIRED. Except as otherwise provided in this Section 3, this option may not be exercised unless the Participant, at the time he or she exercises this option, is, and has been at all times since the Grant Date, an employee, officer or director of, or consultant or advisor to, the Company or any parent or subsidiary of the Company as defined in Section 424(e) or (f) of the Code (an "Eligible Participant").

(c) TERMINATION OF RELATIONSHIP WITH THE COMPANY. If the Participant ceases to be an Eligible Participant for any reason, then, except as provided in paragraphs (d) and (e) below, the right to exercise this option shall terminate three months after such cessation (but in no event after the Final Exercise Date), provided THAT (i) this option shall be exercisable only to the extent that the Participant was entitled to exercise this option on the date of such cessation, and (ii) to the extent that the option or any portion thereof is exercised at any time later than three months after the date that the Participant ceases to be an employee of the Company or any parent or subsidiary of the Company as defined in Section 424(e) or (f) of the Code, the option shall be a non-qualified stock option. Notwithstanding the foregoing, if the Participant, prior to the Final Exercise Date, violates the provisions of the Invention Agreement, the Non-Competition Agreement, or the non-competition or confidentiality provisions of any other employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company, the right to exercise this option shall terminate immediately upon such violation.

(d) EXERCISE PERIOD UPON DEATH OR DISABILITY. If the Participant dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code) prior to the Final Exercise Date while he or she is an Eligible Participant and the Company has not terminated such relationship for "cause" as specified in paragraph (e) below, this option shall be exercisable, within the period of one year following the date of death or disability of the Participant by the Participant, PROVIDED THAT (i) this option shall be exercisable only to the extent that this option was exercisable by the Participant on the date of his or her death or disability, (ii) this option shall not be exercisable after the Final Exercise Date, and (iii) to the extent that the option or any portion thereof is exercised at any time later than one year after the Participant's termination as an employee of the Company or any parent or subsidiary of the Company (as defined in Section 424(e) or (f) of the Code) by reason of his or her disability (as defined in Section 22(e)(3) of the Code), the option shall be a non-qualified stock option.

(e) DISCHARGE FOR CAUSE. If the Participant, prior to the Final Exercise Date, is discharged by the Company for Cause, the right to exercise this option shall terminate immediately upon the effective date of such discharge.

4. WITHHOLDING.

No Shares will be issued pursuant to the exercise of this option unless and until the Participant pays to the Company, or makes provision satisfactory to the Company for payment of, any federal, state or local withholding taxes required by law to be withheld in respect of this option.

5. NONTRANSFERABILITY OF OPTION.

This option may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the lifetime of the Participant, this option shall be exercisable only by the Participant.

6. DISQUALIFYING DISPOSITION.

If the Participant disposes of Shares acquired upon exercise of this option within two years from the Grant Date (or, in the case of Shares acquired upon exercise of an additional grant, the date of any such addendum) or one year after such Shares were acquired pursuant to exercise of this option, the Participant shall notify the Company in writing of such disposition.

7. ADJUSTMENTS FOR CHANGES IN CAPITALIZATION

At any time in which an adjustment pursuant to the provisions of Section 8(a) of the Plan is made to the Shares set forth in Section 1 hereof, a similar adjustment shall be made to the shares set forth in Section 2(b) hereof.

8. PROVISIONS OF THE PLAN.

This option is subject to the provisions of the Plan, a copy of which is furnished to the Participant with this option.

IN WITNESS WHEREOF, the Company has caused this option to be executed under its corporate seal by its duly authorized officer. This option shall take effect as a sealed instrument.

AKAMAI TECHNOLOGIES, INC.

Dated: July 12, 2002

/s/ Paul Sagan

Signature
Paul Sagan
President

PARTICIPANT'S ACCEPTANCE

The undersigned hereby accepts the foregoing option and agrees to the terms and conditions thereof. The undersigned hereby acknowledges receipt of a copy of the Company's Second Amended and Restated 1998 Stock Incentive Plan, as amended.

PARTICIPANT:

/s/ George Conrades

Signature
Name: George H. Conrades

Address:

EXHIBIT 10.16

[Akamai Letterhead]

July 12, 2002

Mr. George H. Conrades
[address]

Re: Employment Agreement

Dear George:

On behalf of Akamai Technologies, Inc. (the "Company"), this letter will set forth the terms of your full-time employment as Chief Executive Officer and Chairman of the Board of Directors of the Company effective July 12, 2002 (the "Employment Agreement").

1. TITLE AND DUTIES.

During your employment, you shall serve as Chief Executive Officer ("CEO") and Chairman of the Board of Directors of the Company or Chairman of the Company if the Board of Directors so assigns and shall have all powers and duties consistent with those positions, reporting to and subject to the direction and control of the Company's Board of Directors (the "Board"). You shall perform such other duties and responsibilities on behalf of the Company (and any of its subsidiaries) as may reasonably be assigned from time to time by the Board consistent with the positions of CEO and Chairman of the Board. In no way limiting the foregoing, your duties and responsibilities hereunder shall include the recruitment and retention of an individual acceptable to the Board, to serve as your successor to the position of CEO. You shall prepare the successor CEO to assume the role of CEO of the Company, recommending his or her candidacy to the Board when in your reasonable judgment he or she is capable of assuming the position of CEO of the Company.

2. BASE SALARY.

Your base salary shall be at the annualized rate of $20,000 per year ($1,666.66 per month). Your salary shall be subject to review and increase as determined from time to time by the Board of Directors of the Company.

3. INCENTIVE STOCK OPTION.

Effective July 12, 2002, pursuant to the Company's Second Amended and Restated 1998 Stock Incentive Plan, as amended (the "Plan"), the Company will grant to you an option to purchase seven hundred fifty thousand (750,000) shares of the common stock of the Company at a purchase price equal to the fair market value on July 12, 2002 (the "Option"). The Option shall be subject to the terms of the Incentive Stock Option Agreement Granted Under The Second Amended and Restated 1998 Stock Incentive Plan, as amended (the "Option Agreement") (including, but not limited to, the vesting and accelerated vesting provisions), the Plan and the Employment Agreement.

4. SEVERANCE UPON TERMINATION AFTER A CHANGE IN CONTROL EVENT.

If, within twelve (12) months following a Change In Control Event as defined in the Plan, you terminate your employment for Good Reason as defined in the Option Agreement or if you terminate your employment for any reason other than Cause as defined in the Option Agreement, you shall receive accelerated vesting as set forth in the Option Agreement plus a lump sum payment of one million dollars ($1,000,000), payable within thirty (30) days of your termination of employment.

5. EMPLOYEE BENEFITS

You shall be entitled to health insurance, vacation and other employee benefits provided to senior executives of the Company, so long as and to the extent any such benefit is provided by the Company and provided you meet any eligibility requirements to participate. The Company may alter, modify, add to or delete any employee benefits maintained for its employees generally at any time, as it, in its sole judgment, determines to be appropriate.

6. INVENTION AND NON-DISCLOSURE AGREEMENT AND NON-COMPETITION AND NON-SOLICITATION AGREEMENT.

The Invention and Non-Disclosure Agreement dated March 26, 1999 between you and the Company and the Non-Competition and Non-Solicitation Agreement dated March 26, 1999 by and between you and the Company shall remain in full force and effect.

7. NO TERM.

This letter is not to be construed as an agreement expressed or implied to employ you for any stated term. Either you or the Company may terminate the employment relationship at any time for any reason.

Please sign below to indicate your acceptance of the terms of this Employment Agreement.

Very truly yours, AKAMAI TECHNOLOGIES, INC.

By: /s/ Paul Sagan

Paul Sagan
President

I accept the terms of this Employment Agreement with Akamai Technologies, Inc. as set forth herein.

/s/ George Conrades

George Conrades
Date: July 12, 2002

EXHIBIT 10.16

[Akamai Letterhead]

July 12, 2002

Mr. George H. Conrades
[address]

Re: Employment Agreement

Dear George:

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You shall be entitled to health insurance, vacation and other employee benefits provided to senior executives of the Company, so long as and to the extent any such benefit is provided by the Company and provided you meet any eligibility requirements to participate. The Company may alter, modify, add to or delete any employee benefits maintained for its employees generally at any time, as it, in its sole judgment, determines to be appropriate.

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7. NO TERM.

This letter is not to be construed as an agreement expressed or implied to employ you for any stated term. Either you or the Company may terminate the employment relationship at any time for any reason.

Please sign below to indicate your acceptance of the terms of this Employment Agreement.

Very truly yours, AKAMAI TECHNOLOGIES, INC.

By: /s/ Paul Sagan

Paul Sagan
President

I accept the terms of this Employment Agreement with Akamai Technologies, Inc. as set forth herein.

/s/ George Conrades

George Conrades
Date: July 12, 2002

Exhibit 99.1

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

Pursuant to 18 U.S.C. ss.1350, the undersigned hereby certifies that this Quarterly Report on Form 10-Q for the period ended June 30, 2002 of Akamai Technologies, Inc. (the "Company") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ George H. Conrades

George H. Conrades
Chairman and Chief Executive Officer

Date: August 12, 2002

Exhibit 99.2

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

Pursuant to 18 U.S.C. ss.1350, the undersigned hereby certifies that this Quarterly Report on Form 10-Q for the period ended June 30, 2002 of Akamai Technologies, Inc. (the "Company") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Timothy Weller

Timothy Weller
Chief Financial Officer

Date: August 12, 2002