

UNITED STATES
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 September 30, 2001

OR

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

For the transition period from _____ to _____

Commission File Number 000-31293

EQUINIX, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

77-0487526
(I.R.S. Employer Identification No.)

2450 Bayshore Parkway, Mountain View, California 94043
(Address of principal executive offices, including ZIP code)

(650) 316-6000
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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) Yes No and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

The number of shares outstanding of the Registrant's Common Stock as of September 30, 2001 was 80,034,668.

EQUINIX, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

EQUINIX, INC.

Condensed Consolidated Balance Sheets
(in thousands)

<TABLE>
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	September 30, 2001	December 31, 2000
	(unaudited)	
	<C>	<C>
<S> Assets		
Current assets:		
Cash and cash equivalents	\$ 84,651	\$ 174,773
Short-term investments	81,191	32,437
Accounts receivable, net	8,250	4,925
Current portion of restricted cash and short-term investments	4,699	15,468
Prepays and other current assets	8,212	10,373
	-----	-----
Total current assets	187,003	237,976
Property and equipment, net	327,278	315,380
Construction in progress	91,066	94,894
Restricted cash and short-term investments, less current portion	27,875	21,387
Debt issuance costs, net	10,900	11,916
Other assets	4,617	1,932
	-----	-----
Total assets	\$ 648,739	\$ 683,485
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 20,814	\$ 13,717
Accrued construction costs	27,500	89,343
Current portion of senior secured credit facility	45,000	--
Current portion of debt facilities and capital lease obligations..	7,025	4,426
Accrued interest payable	10,410	2,167
Other current liabilities	2,179	1,646
	-----	-----
Total current liabilities	112,928	111,299
Debt facilities and capital lease obligations, less current portion...	8,082	6,506
Senior secured credit facility, less current portion	105,000	--
Senior notes	187,387	185,908
Other liabilities	7,617	4,656
	-----	-----
Total liabilities	421,014	308,369
	-----	-----
Stockholders' equity:		
Common stock	80	77
Additional paid-in capital	543,837	553,070
Deferred stock-based compensation	(14,454)	(38,350)
Accumulated other comprehensive income	830	1,919
Accumulated deficit	(302,568)	(141,600)
	-----	-----
Total stockholders' equity	227,725	375,116

Total liabilities and stockholders' equity	\$ 648,739	\$ 683,485
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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EQUINIX, INC.

Condensed Consolidated Statements of Operations
(in thousands, except per share data)

<TABLE>
<CAPTION>

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
	(unaudited)			
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 17,178	\$ 3,933	\$ 45,948	\$ 4,961
Costs and operating expenses:				
Cost of revenues (includes stock-based compensation of \$19, \$220, \$412 and \$434 for the three and nine months ended September 30, 2001 and 2000, respectively)	24,597	12,639	74,593	21,262
Sales and marketing (includes stock-based compensation of \$496, \$2,351, \$2,344 and \$5,321 for the three and nine months ended September 30, 2001 and 2000, respectively)	3,982	5,046	13,274	13,754
General and administrative (includes stock-based compensation of \$2,384, \$7,515, \$13,285 and \$14,361 for the three and nine months ended September 30, 2001 and 2000, respectively)	12,621	16,198	47,013	38,367
Restructuring charge	48,565	--	48,565	--
Total costs and operating expenses	89,765	33,883	183,445	73,383
Loss from operations	(72,587)	(29,950)	(137,497)	(68,422)
Interest income	2,318	4,347	9,477	11,879
Interest expense	(11,305)	(6,482)	(32,948)	(20,362)
Net loss	\$ (81,574)	\$ (32,085)	\$ (160,968)	\$ (76,905)
Net loss per share:				
Basic and diluted	\$ (1.03)	\$ (0.70)	\$ (2.07)	\$ (3.45)
Weighted average shares	79,058	45,534	77,843	22,289

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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EQUINIX, INC.

Condensed Consolidated Statements of Cash Flows
(in thousands)

<TABLE>
<CAPTION>

	Nine months ended September 30,	
	2001	2000
	(unaudited)	
<S>	<C>	<C>
Cash flows from operating activities:		

Net loss	\$ (160,968)	\$ (76,905)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	36,444	6,830
Amortization of deferred stock-based compensation	16,041	20,115
Amortization of debt-related issuance costs and discounts	5,884	2,990
Allowance for doubtful accounts	192	--
Restructuring charge	48,565	--
Changes in operating assets and liabilities:		
Accounts receivable	(3,517)	(5,242)
Prepays and other current assets	102	(2,349)
Other assets	(2,685)	(987)
Accounts payable and accrued expenses	(807)	6,144
Accrued restructuring charge	(574)	--
Accrued interest payable	8,243	7,197
Other current liabilities	533	2,746
Other liabilities	490	2,114
	-----	-----
Net cash used in operating activities	(52,057)	(37,347)
	-----	-----
Cash flows from investing activities:		
Purchase of short-term investments	(150,621)	(52,710)
Sales and maturities of short-term investments	102,165	35,717
Purchases of property and equipment	(77,160)	(272,400)
Accrued construction costs	(61,843)	51,364
Purchase of restricted cash and short-term investments	(25,325)	(18,540)
Sale of restricted cash and short-term investments	20,972	13,000
	-----	-----
Net cash used in investing activities	(191,812)	(243,569)
	-----	-----
Cash flows from financing activities:		
Proceeds from exercise of stock options and employee stock purchase plan	1,877	3,308
Proceeds from initial public offering of common stock, net	--	251,710
Proceeds from issuance of debt facilities and capital lease obligations	158,004	6,884
Debt issuance costs	(522)	--
Repayment of debt facilities and capital lease obligations	(4,207)	(4,687)
Proceeds from issuance of redeemable convertible preferred stock, net	--	94,418
Repurchase of common stock	(18)	(13)
	-----	-----
Net cash provided by financing activities	155,134	351,620
	-----	-----
Effect of foreign currency exchange rates on cash and cash equivalents	(1,387)	--
Net increase (decrease) in cash and cash equivalents	(90,122)	70,704
Cash and cash equivalents at beginning of period	174,773	203,165
	-----	-----
Cash and cash equivalents at end of period	\$ 84,651	\$ 273,869
	=====	=====
Supplemental cash flow information:		
Cash paid for interest	\$ 19,487	\$ 14,135
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared by Equinix, Inc. ("Equinix" or the "Company") and reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to present fairly the financial position and the results of operations for the interim periods presented. The balance sheet at December 31, 2000 has been derived from audited financial statements at that date. The financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission ("SEC"), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles. For further information, refer to the Consolidated Financial Statements and Notes thereto included in Equinix's Form 10-K as filed with the SEC on March 27, 2001. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and

expenses during the reporting period. Actual results could differ from these estimates.

Revenues consist of monthly recurring fees for colocation and interconnection services at the IBX centers, service fees associated with the delivery of professional services and non-recurring installation fees. Revenues from colocation and interconnection services are billed monthly and recognized ratably over the term of the contract, generally one to three years. Professional service fees are recognized in the period in which the services were provided and represent the culmination of the earnings process. Non-recurring installation fees are deferred and recognized ratably over the term of the related contract.

The accompanying consolidated condensed financial statements have been prepared assuming the Company will continue as a going concern. Since its inception, the Company has been successful in completing several rounds of financing. During the same period, the Company has incurred substantial losses and negative cash flows from operations in every fiscal period since inception. For the year ended December 31, 2000, the Company incurred a loss from operations of \$107.1 million and negative cash flows from operations of \$68.1 million. For the nine months ended September 30, 2001, the Company incurred a loss from operations of \$137.5 million and negative cash flows from operations of \$52.1 million. As of September 30, 2001, the Company had an accumulated deficit of \$302.6 million.

The Company expects that cash on hand and anticipated cash flow from operations should be sufficient to complete its seventh IBX center by the end of 2001. Assuming sufficient customer demand and the availability of additional financing, the Company may build or buy additional IBX centers and expand certain existing IBX centers. The Company is continually evaluating the location, number and size of its facilities based upon the availability of suitable sites, financing and customer demand. If the Company cannot raise additional funds on acceptable terms or its losses exceed expectations, the Company may delay or permanently reduce its rollout plans. Additional financing may take the form of debt or equity. If the Company is unable to raise additional funds to further its rollout, the Company anticipates that its existing cash and the cash flow generated from the seven IBX centers, for which the Company has obtained financing, will be sufficient to meet the working capital, debt service and corporate overhead requirements associated with those IBX centers for the foreseeable future. Failure to generate sufficient revenues, raise additional capital, reduce certain discretionary spending or meet certain financial covenants could have a material adverse effect on the Company's ability to continue as a going concern and to achieve its intended business objectives.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

2. Cash, Cash Equivalents and Short-Term Investments

On January 2, 2001, the Company drew down the \$50,000,000 term loan made available through the Senior Secured Credit Facility (see Note 7). On March 5, 2001, the Company drew down the \$75,000,000 term loan made available through the Senior Secured Credit Facility (see Note 7). On March 30, 2001, the Company received the \$3,004,000 proceeds from the Wells Fargo Loan (see Note 7). On June 27, 2001, the Company drew down the \$25,000,000 revolving credit facility made available through the Senior Secured Credit Facility (see Note 7). On June 29, 2001, the Company received the \$5,000,000 proceeds from the Heller Loan (see Note 7).

On October 16, 2001, the Company repaid \$50,000,000 of the Senior Secured Credit Facility. The Company subsequently re-borrowed \$5,000,000 under the Amended and Restated Senior Secured Credit Facility (see Note 16).

3. Restricted Cash and Short-Term Investments

In September 2001, in connection with the amendment of one of the Company's long-term operating leases, the Company posted a letter of credit totaling \$15,450,000, including \$450,000 for future letter of credit fees (see Note 9).

During the quarter ended September 30, 2001, the Company recorded a restructuring charge as part of its revised European services strategy. Part of this restructuring charge included the write-off of \$8,634,000 related to several letters of credit related to the Company's long-term European operating leases (see Note 14).

4. Accounts Receivable

Accounts receivables, net, consists of the following (in thousands):

<TABLE>
<CAPTION>

	September 30, 2001	December 31, 2000
	-----	-----
	(unaudited)	
<S>	<C>	<C>
Accounts receivable	\$ 14,302	\$ 8,670
Unearned revenue	(5,612)	(3,137)
Allowance for doubtful accounts	(440)	(608)
	-----	-----
	\$ 8,250	\$ 4,925
	=====	=====

</TABLE>

5. Property and Equipment

Property and equipment is comprised of the following (in thousands):

<TABLE>
<CAPTION>

	September 30, 2001	December 31, 2000
	-----	-----
	(unaudited)	
<S>	<C>	<C>
Leasehold improvements	\$ 279,120	\$ 243,851
IBX plant and machinery	51,641	51,305
Computer equipment and software	17,061	12,438
IBX equipment	26,352	21,960
Furniture and fixtures	3,042	1,241
	-----	-----
	377,216	330,795
Less accumulated depreciation	(49,938)	(15,415)
	-----	-----
	\$ 327,278	\$ 315,380
	=====	=====

</TABLE>

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Leasehold improvements, certain computer equipment, IBX plant and machinery, software and furniture and fixtures recorded under capital leases aggregated \$5,999,000 at both September 30, 2001 and December 31, 2000. Amortization on the assets recorded under capital leases is included in depreciation expense.

Included within leasehold improvements is the value attributed to the earned portion of several warrants issued to certain fiber carriers and our contractor totaling \$6,712,000 and \$5,761,000 as of September 30, 2001 and December 31, 2000, respectively. Amortization on such warrants within leasehold improvements is included in depreciation expense.

6. Construction in Progress

Construction in progress includes direct and indirect expenditures for the construction of IBX centers and is stated at original cost. The Company has contracted out substantially all of the construction of the IBX centers to independent contractors under construction contracts. Construction in progress includes certain costs incurred under a construction contract including project management services, site identification and evaluation services, engineering and schematic design services, design development and construction services and other construction-related fees and services. In addition, the Company has capitalized certain interest costs during the construction phase. Once an IBX center becomes operational, these capitalized costs are depreciated at the appropriate rate consistent with the estimated useful life of the underlying asset.

Included within construction in progress is the value attributed to the unearned portion of warrants issued to certain fiber carriers and our contractor totaling \$1,862,000 as of September 30, 2001 and \$6,270,000 as of December 31, 2000.

Interest incurred is capitalized in accordance with Statement of Financial Accounting Standards ("SFAS") No. 34, Capitalization of Interest Costs. Total interest cost incurred and total interest capitalized during the three and nine months ended September 30, 2001, was \$11,808,000 and \$503,000 and \$34,121,000 and \$1,173,000, respectively. Total interest cost incurred and total interest capitalized during the three and nine months ended September 30, 2000, was

\$7,979,000 and \$1,497,000 and \$23,826,000 and \$3,464,000, respectively.

During the quarter ended September 30, 2001, the Company recorded a restructuring charge as part of its revised European services strategy. Part of this restructuring charge included the write-down of \$29,260,000 in European construction in progress assets to their net realizable value (see Note 14).

7. Debt Facilities

Heller Loan

In June 2001, the Company obtained a \$5,000,000 loan from Heller Financial Leasing, Inc. (the "Heller Loan"). Repayments on the Heller Loan are made over 36 months and interest accrues at 13.0% per annum. The Heller Loan is secured by certain equipment located in the New York metropolitan area IBX center.

In connection with the Heller Loan, the Company granted Heller Financial Leasing, Inc. a warrant to purchase 37,500 shares of the Company's common stock at \$4.00 per share (the "Heller Warrant"). This warrant is immediately exercisable and expires in five years from the date of grant. The fair value of the warrant using the Black-Scholes option pricing model was \$18,000 with the following assumptions: fair market value per share of \$1.13, dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 5% and a contractual life of 5 years. Such amount was recorded as a discount to the applicable loan amount, and is being amortized to interest expense using the effective interest method, over the life of the loan.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Wells Fargo Loan

In March 2001, the Company obtained a \$3,004,000 loan from Wells Fargo Equipment Finance, Inc. (the "Wells Fargo Loan"). Repayments on the Wells Fargo Loan are made over 36 months and interest accrues at 13.15% per annum. The Wells Fargo Loan is secured by certain equipment located in the New York metropolitan area IBX center currently under construction.

Senior Secured Credit Facility

On December 20, 2000, the Company and a newly created, wholly-owned subsidiary of the Company, entered into a \$150,000,000 Senior Secured Credit Facility (the "Senior Secured Credit Facility") with a syndicate of lenders. The Senior Secured Credit Facility consisted of the following:

- . Term loan facility in the amount of \$50,000,000. The outstanding term loan amount is required to be paid in quarterly installments beginning in March 2003 and ending in December 2005. The Company drew this down in January 2001.
- . Delayed draw term loan facility in the amount of \$75,000,000. The Company was required to borrow the entire facility on or before December 20, 2001. The outstanding delayed draw term loan amount is required to be paid in quarterly installments beginning in March 2003 and ending in December 2005. The Company drew this down in March 2001.
- . Revolving credit facility in an amount up to \$25,000,000. The outstanding revolving credit facility is required to be paid in full on or before December 15, 2005. The Company drew this down in June 2001.

The Senior Secured Credit Facility has a number of covenants, which included achieving certain minimum revenue targets and limiting cumulative EBITDA losses and maximum capital spending limits among others. As of September 30, 2001, the Company was not in compliance with one of these covenants. However, the syndicate of lenders provided a forbearance and, subsequent to September 30, 2001, the Company successfully completed the renegotiation of the Senior Secured Credit Facility and amended certain of our covenants to more accurately reflect the current economic environment as part of the Amended and Restated Senior Secured Credit Facility (see Note 16).

Borrowings under the Senior Secured Credit Facility are collateralized by a first priority lien against substantially all of the Company's assets.

Loans under the Senior Secured Credit Facility bear interest at floating rates, plus applicable margins, based on either the prime rate or LIBOR. At September 30, 2001, the Company's total indebtedness under the Senior Secured Credit Facility was \$150,000,000 and had an effective interest rate of 7.83%. Interest on the Senior Secured Credit Facility is paid at various dates depending on the date of each drawdown; however, no less frequently than quarterly. As of September 30, 2001, accrued interest payable for the Senior

Secured Credit Facility totaled \$1,743,000.

The costs related to the issuance of the Senior Secured Credit Facility were capitalized and are being amortized to interest expense using the effective interest method, over the life of the Senior Secured Credit Facility. Debt issuance costs, net of amortization, are \$5,170,000 and \$5,966,000 as of September 30, 2001 and December 31, 2000, respectively.

In October 2001, the Company amended and restated the Senior Secured Credit Facility. As a result of this amendment, the Company repaid \$50,000,000 of the Senior Secured Credit Facility, of which \$25,000,000 represented a permanent reduction and \$25,000,000 represented a temporary reduction. The Company subsequently re-borrowed \$5,000,000 under the Amended and Restated Senior Secured Credit Facility. In addition, the rate of interest and frequency of interest payments was amended (see Note 16).

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

8. Stockholders' Equity

Stock Plans

On January 1, 2001, pursuant to the provisions of the Company's stock plans, the number of common shares reserved automatically increased by 4,618,731 shares for the 2000 Equity Incentive Plan, 600,000 shares for the Employee Stock Purchase Plan and 50,000 shares for the 2000 Director Stock Option Plan.

On January 31, 2001, a total of 222,378 shares were purchased under the Employee Stock Purchase Plan with total proceeds to the Company of \$1,122,000. On July 31, 2001, a total of 303,300 shares were purchased under the Employee Stock Purchase Plan with total proceeds to the Company of \$361,000.

In September 2001, the Company adopted the 2001 Supplemental Stock Plan (the "2001 Plan"), in which a total of 5,000,000 shares of the Company's common stock are available for issuance upon grant in accordance with the terms of the 2001 Plan.

Warrants

In March 2001, holders of the NorthPoint Warrant, the Comdisco Loan and Security Agreement Warrant, the Comdisco Master Lease Agreement Warrant and the Comdisco Master Lease Agreement Addendum Warrant exercised such warrants pursuant to the cashless "net-exercise" provisions thereof. Upon such exercises, such warrant holders received an aggregate of 1,049,599 shares of the Company's common stock.

During the quarter ended March 31, 2001, certain holders of Senior Note Warrants exercised their warrants resulting in 1,283,069 shares of the Company's common stock being issued. A total of 1,755,781 shares underlying these Senior Note Warrants remain outstanding as of September 30, 2001.

In September 2001, the Company amended and restated the Worldcom Venture Fund Warrant, issued in June 2000, and reduced the total number of shares available to purchase to 295,000 shares of the Company's common stock at \$5.33 per share, which had been previously earned. In return for providing services to the New York metropolitan area IBX center, which is currently under construction, the Company issued two new warrants to the Worldcom Venture Fund. The first new warrant is to purchase 355,000 shares of the Company's common stock at \$0.01 per share, of which 150,000 shares are immediately vested and exercisable (the "Second Worldcom Venture Fund Warrant"). The second new warrant is to purchase 245,000 shares of the Company's common stock at \$0.01 per share (the "Third Worldcom Venture Fund Warrant"). All Worldcom Venture Fund warrants expire five years from the date of grant. The unearned portion of the Second Worldcom Venture Fund Warrant and the Third Worldcom Venture Fund Warrant will be fully earned and exercisable at such time as Worldcom provides services, as defined in the warrant agreements, to the New York metropolitan area IBX center. The unearned portion of the Second Worldcom Venture Fund Warrant and the Third Worldcom Venture Fund Warrant are subject to a reduction in shares if there are Worldcom-caused delays in providing Worldcom service by the opening date of the New York metropolitan area IBX center. The earned portion of the Second Worldcom Venture Fund Warrant was valued at \$56,000 using the Black-Scholes option-pricing model and has been recorded initially to construction in progress until installation is complete. The following assumptions were used in determining the fair value of the earned portion of this warrant: fair market value per share of \$0.38, dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 3.00% and a contractual life of 5 years. The unearned portion of the Second Worldcom Venture Fund Warrant and the Third Worldcom Venture Fund Warrant will be valued at the time that they are earned.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

9. Commitments and Contingencies

In September 2001, the Company amended one of its long-term operating leases for certain unimproved real property in San Jose, California. Previously, the Company posted a letter of credit in the amount of \$10,000,000 and was required to increase the letter of credit by \$25,000,000 to an aggregate of \$35,000,000 if the Company did not meet certain development and financing milestones. The Company successfully re-negotiated the letter of credit provision in the operating lease whereby the aggregate obligation was reduced by \$10,000,000 to \$25,000,000 provided the Company agreed to post an additional letter of credit totaling \$15,000,000 prior to September 30, 2001. In addition, the operating lease commitments, for the 12-month period ending September 2002, were reduced by \$3,000,000 provided the Company prepaid a full year of lease payments. The benefit of this reduction will be amortized to rent expense over the full term of the lease. The additional letter of credit was funded prior to September 30, 2001 and the rent pre-payment was funded subsequent to September 30, 2001.

During the quarter ended September 30, 2001, putative shareholder class action lawsuits were filed against the Company, certain of its officers and directors, and several investment banks that were underwriters of the Company's initial public offering. The suits allege that the underwriter defendants agreed to allocate stock in the Company's initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for the Company's initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The Company and its officers and directors intend to defend the action vigorously. The Company believes that more than one hundred other companies have been named in nearly identical lawsuits that have been filed by some of the same plaintiffs' law firms. The Company believes it has adequate legal defenses and believes that the ultimate outcome of these actions will not have a material effect on the Company's consolidated financial position or results of operations, although there can be no assurance as to the outcome of such litigation.

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. In the opinion of management, there are no pending claims of which the outcome is expected to result in a material adverse effect in the financial position or results of operations of the Company.

10. Related Party Transactions

On February 27, 2001, the Company advanced an aggregate of \$1,512,000 to an officer of the Company, which is evidenced by a promissory note. The proceeds of this loan were used to fund the purchase of a principal residence. The loan is due February 27, 2006, but is subject to certain events of acceleration. The loan is non-interest bearing.

On June 18, 2001, the Company advanced an aggregate of \$900,000 to an officer of the Company, which is evidenced by a promissory note. The proceeds of this loan were used to fund the purchase of a principal residence. The loan is due June 18, 2006, but is subject to certain events of acceleration. The loan is non-interest bearing.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

11. Comprehensive Loss

The components of comprehensive loss are as follows (in thousands) (unaudited):

<TABLE>
<CAPTION>

Three months ended September 30,		Nine months ended September 30,	
-----		-----	
2001	2000	2001	2000

	----- <C>	----- <C>	----- <C>	----- <C>
<S> Net loss	\$ (81,574)	\$ (32,085)	\$ (160,968)	\$ (76,905)
Unrealized gain (loss) on available for sale securities	1,554	(74)	(1,387)	(126)
Foreign currency translation loss	209	33	298	33
Comprehensive loss	\$ (79,811)	\$ (32,126)	\$ (162,057)	\$ (76,998)
	=====	=====	=====	=====

</TABLE>

There were no significant tax effects on comprehensive loss for the three and nine months ended September 30, 2001 and 2000.

12. Net Loss per Share

Basic and diluted net loss per share is computed using the weighted average number of shares of common stock outstanding. Options, warrants and preferred stock were not included in the computation of diluted net loss per share because the effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated (in thousands, except per share data) (unaudited):

	Three months ended September 30,		Nine months ended September 30,	
	----- 2001	----- 2000	----- 2001	----- 2000
<S> Numerator:	<C>	<C>	<C>	<C>
Net loss	\$ (81,574)	\$ (32,085)	\$ (160,968)	\$ (76,905)
	=====	=====	=====	=====
Historical:				
Denominator:				
Weighted average shares	81,656	50,908	81,149	27,586
Weighted average unvested shares subject to repurchase	(2,598)	(5,374)	(3,306)	(5,297)
	-----	-----	-----	-----
Total weighted average shares	79,058	45,534	77,843	22,289
	=====	=====	=====	=====
Net loss per share:				
Basic and diluted	\$ (1.03)	\$ (0.70)	\$ (2.07)	\$ (3.45)
	=====	=====	=====	=====

</TABLE>

The following table sets forth potential shares of common stock that are not included in the diluted net loss per share calculation above because to do so would be anti-dilutive for the periods indicated:

	September 30,	
	----- 2001	----- 2000
<S>	<C>	<C>
Common stock warrants	4,462,381	7,113,745
Common stock options	21,167,869	8,417,672
Common stock subject to repurchase	3,305,685	5,297,123

</TABLE>

13. Segment Information

The Company and its subsidiaries are principally engaged in the design, build-out and operation of neutral IBX centers. All revenues result from the operation of these IBX centers. Accordingly, the Company considers itself to operate in a single segment. The Company's chief operating decision-maker evaluates performance, makes operating decisions and allocates resources based on financial data consistent with the presentation in the accompanying

consolidated financial statements.

During the quarter ended September 30, 2001, the Company recorded a restructuring charge as part of its revised European services strategy. A total of \$45,315,000 of the restructuring charge related to the write-off of certain European assets to their net realizable value (see Note 14). As of September 30, 2001, all of the Company's operations and assets were based in the United States with the exception of \$2,228,000 of the Company's net identifiable assets based in Europe and \$47,253,000 and \$51,490,000 of the Company's total net loss was attributable to the development and restructuring of its European operations for the three and nine months ending September 30, 2001, respectively. As of September 30, 2000, all of the Company's operations and assets were based in the United States.

Revenues from one customer accounted for 17% and 15%, respectively, of the Company's revenues for the three and nine months ended September 30, 2001. No other single customer accounted for more than 10% of the Company's revenues for the three and nine months ended September 30, 2001. Revenues from two customers accounted for a combined 34% and 28%, respectively, of the Company's revenues for the three and nine months ended September 30, 2000. Accounts receivables from two customers accounted for 16% and 11%, respectively, of the Company's gross accounts receivables as of September 30, 2001.

14. Restructuring Charge

During the quarter ended September 30, 2001, the Company revised its European services strategy through the development of new partnerships with other leading international Internet exchange partners rather than build and operate its own European IBX centers. In addition, the Company initiated efforts to exit certain leaseholds relating to certain excess U.S. operating leases. Also, in September 2001, the Company implemented an approximate 15% reduction in workforce, primarily in headquarter positions, in an effort to reduce operating costs. As a result, the Company took a total restructuring charge of \$48,565,000 primarily related to the write-down of European construction in progress assets to their net realizable value, the write-off of several European letters of credit related to several European operating leases, the accrual of European and U.S. leasehold exit costs and the severance accrual related to the reduction in workforce. The remaining European construction in progress as of September 30, 2001, totaling \$2,228,000, represents assets purchased during pre-construction activities that are now held for resale. Due to the current economic environment, the resale of this equipment may take longer than one year. As of September 30, 2001, the Company has successfully surrendered one of the European leases. The Company expects to successfully complete the exit of the remaining leases during 2002. The reduction in workforce is expected to be substantially complete during the fourth quarter of 2001.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

A summary of the restructuring charge is outlined as follows (in thousands):

	Total restructuring charge	Non-cash charges	Cash payments	Accrued restructuring charge as of September 30, 2001
	-----	-----	-----	-----
-				
<S>	<C>	<C>	<C>	<C>
Write-down of European construction in progress	\$ 29,260	\$ (29,260)	\$ --	\$ --
Write-off of European letters of credit	8,634	(8,634)	--	--
European lease exit costs	6,368	(2,059)	(335)	3,974
European legal fees and other charges	1,053	--	--	1,053
U.S. lease exit costs	2,000	--	--	2,000
Workforce reduction	1,250	(134)	(239)	877
	-----	-----	-----	-----
-	\$ 48,565	\$ (40,087)	\$ (574)	\$ 7,904
	=====	=====	=====	=====

</TABLE>

15. Recent Accounting Pronouncements

In September 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards, or SFAS, No. 133, Accounting for Derivative Instruments and Hedging Activities. In June 1999, the Financial

Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 137 ("SFAS 137"), "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." In June 2000, the FASB issued SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133." SFAS 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities, and requires that all derivatives, including foreign currency exchange contracts, be recognized on the balance sheet at fair value. The adoption of SFAS 133, as amended by SFAS 137 and SFAS 138, did not have a material impact on our financial position and results of operations.

On July 20, 2001 the FASB issued SFAS No. 141, Business Combinations ("SFAS 141") and SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142").

SFAS 141 supercedes Accounting Principles Board Opinion No. 16 (APB 16), Business Combinations, and is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001. One of the most significant changes made by SFAS 141 is to require the use of the purchase method of accounting for all business combinations initiated after June 30, 2001.

SFAS 142 supercedes Accounting Principles Board Opinion No. 17 (APB 17), Intangible Assets, but will carry forward provisions in APB 17 related to internally developed intangible assets. SFAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition and is effective for fiscal years beginning after December 15, 2001. However, early adoption of SFAS 142 will be permitted for companies with a fiscal year beginning after March 15, 2001, provided their first quarter financial statements have not been previously issued. In all cases, SFAS 142 must be adopted at the beginning of a fiscal year. The most significant changes made by SFAS 142 are: (1) goodwill and indefinite lived intangible assets will no longer be amortized, (2) goodwill will be tested for impairment at least annually at the reporting unit level, (3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually, and (4) the amortization period of intangible assets with finite lives will no longer be limited to forty years.

The Company does not expect the adoption of either SFAS 141 or SFAS 142 will have a material effect on its consolidated financial statements.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On October 3, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 supercedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 144 applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30. SFAS 144 develops one accounting model for long-lived assets that are to be disposed of by sale. SFAS 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS 144 is effective for the Company for all financial statements issued in fiscal 2002. The Company is currently evaluating the impacts of the adoption of SFAS 144 to its financial statements.

16. Subsequent Events

In October 2001, the Company amended and restated the Senior Secured Credit Facility (the "Amended and Restated Senior Secured Credit Facility") (see Note 7). As required under this amendment, the Company repaid \$50,000,000 of the \$150,000,000 Senior Secured Credit Facility outstanding as of September 30, 2001, of which \$25,000,000 represented a permanent reduction. As such, the Amended and Restated Senior Secured Credit Facility provides a total of \$125,000,000 of debt financing and consists of the following:

- . Term loan facility, redesignated as tranche A, in the amount of \$100,000,000, which represents the remaining \$100,000,000 outstanding after repayment of the \$50,000,000 in October 2001.
- . Term loan facility, redesignated as tranche B, in the amount of \$25,000,000, of which \$5,000,000 was immediately drawn with the remaining \$20,000,000 available for borrowing during a future designated period.

Repayment of principal under the Amended and Restated Senior Secured Credit Facility begins in March 2003 with final principal payment occurring by December 2005. Interest rates on the Amended and Restated Senior Secured Credit Facility were increased by 0.50% and the frequency of interest payments has been amended to monthly from quarterly.

As part of the Amended and Restated Senior Secured Credit Facility, the syndicate of lenders reset and modified the various covenants related to the Senior Secured Credit Facility to more accurately reflect the current economic environment. In addition to resetting the existing financial covenants, a new covenant requiring minimum cash balances was added.

As a result of amending and restating the Senior Secured Credit Facility, the Company incurred total fees of approximately \$1,477,000, which have been added to debt issuance costs and will be amortized to interest expense using the effective interest method over the remaining life of the Amended and Restated Senior Secured Credit Facility.

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Item 2.

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

The information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, the words "believes," "anticipates," "plans," "expects," "intends" and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a discrepancy include, but are not limited to, those discussed in "Other Factors Affecting Operating Results" and "Liquidity and Capital Resources" below. All forward-looking statements in this document are based on information available to us as of the date hereof and we assume no obligation to update any such forward-looking statements.

Overview

Equinix, Inc. ("Equinix", the "Company", "we" or "us") designs, builds and operates neutral Internet Business Exchange ("IBX") centers where Internet businesses place their equipment and their network facilities in order to interconnect with each other to improve Internet performance. Our neutral IBX centers and Internet exchange services enable network service providers, enterprises, content providers, managed service providers and other Internet infrastructure companies to directly interconnect with each other for increased performance. Equinix currently has IBX centers totaling an aggregate of 611,000 gross square feet in the Washington, D.C. metropolitan area, the New York metropolitan area, Silicon Valley, Dallas, Los Angeles and Chicago. We intend to complete construction of one additional IBX center during the fourth quarter of 2001 in the New York metropolitan area, resulting in seven IBX centers covering six domestic markets in the United States.

We generate recurring revenues primarily from the leasing of cabinet space and power. In addition, we offer value-added services and professional services including direct interconnections between our customers and "Smart Hands" service for customer equipment installations and maintenance. Customer contracts for the lease of cabinet space, power, interconnections and switch ports are renewable and typically are for one to three years with payments for services made on a monthly basis. In addition, we generate non-recurring revenues, which are comprised of installation charges that are billed upon successful installation of our customer cabinets, power, interconnections and switch ports. Both recurring and non-recurring revenues are recognized ratably over the term of the contract.

Our cost of revenues consists primarily of lease payments on our existing and proposed IBX centers, site employees' salaries and benefits, utility costs, amortization and depreciation of IBX center build-out costs and equipment and engineering, power, redundancy and security systems support and services. In addition, cost of revenues includes certain costs related to real estate obtained for future IBX centers in the United States. We will continue to fund these costs and they will be expensed as incurred. We expect our cost of revenues to increase as we open our new IBX center and as we continue to expand our customer base. Through September 30, 2001, cost of revenues included certain costs related to real estate obtained for future IBX centers in Europe. During the quarter ended September 30, 2001, the Company recorded a restructuring charge of \$48.6 million, of which \$45.3 million is due to its revised European services strategy to partner with existing Internet exchange companies in Europe rather than build and operate its own centers and approximately \$1.0 million is related to anticipated excess U.S. leasehold exit costs.

Our selling, general and administrative expenses consist primarily of costs associated with recruiting, training and managing of employees, salaries and related costs of our operations, customer fulfillment

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and support functions costs, finance and administrative personnel and related professional fees. During the third quarter 2001, the Company took a restructuring charge of \$48.6 million, of which \$1.3 million was related to an approximate 15% reduction in workforce, primarily in various headquarter functions, in an effort to streamline costs and approximately \$1.0 million was related to the leasehold exit costs for excess office space in the U.S. Furthermore, the Company has implemented several cost savings initiatives and will continue to closely monitor its spending. As a result, selling, general and administrative expenses are not expected to increase until such time as the Company reaches certain pre-determined levels of profitability.

We recorded deferred stock-based compensation in connection with stock options granted during 2000, 1999 and 1998, respectively, where the deemed fair market value of the underlying common stock was subsequently determined to be greater than the exercise price on the date of grant. Approximately \$2.9 million and \$16.0 million was amortized to stock-based compensation expense for the three and nine months ended September 30, 2001, respectively. Approximately \$10.1 million and \$20.1 million was amortized to stock-based compensation expense for the three and nine months ended September 30, 2000, respectively. The options granted are typically subject to a four-year vesting period. We are amortizing the deferred stock-based compensation on an accelerated basis over the vesting periods of the applicable options in accordance with FASB Interpretation No. 28. The remaining \$14.5 million of deferred stock-based compensation will be amortized over the remaining vesting periods. We expect amortization of deferred stock-based compensation expense to impact our reported results through December 31, 2004.

Our adjusted net loss before net interest and other expense, income taxes, depreciation and amortization of capital assets, amortization of stock-based compensation, restructuring charges and other non-cash charges ("Adjusted EBITDA") is calculated to enhance an understanding of our operating results. Adjusted EBITDA is a financial measurement commonly used in capital-intensive telecommunication and infrastructure industries. Other companies may calculate Adjusted EBITDA differently than we do. It is not intended to represent cash flow or results of operations in accordance with generally accepted accounting principles nor a measure of liquidity. We measure Adjusted EBITDA at both the IBX center and total company level.

Since inception, we have experienced operating losses and negative cash flow. As of September 30, 2001 we had an accumulated deficit of \$302.6 million and accumulated cash used in operating and construction activities of \$594.2 million. Given the revenue and income potential of our service offerings is still unproven and we have a limited operating history, we may not generate sufficient operating results to achieve desired profitability. We therefore believe that we will continue to experience operating losses for the foreseeable future. See "Other Factors Affecting Operating Results".

Results of Operations

Three Months Ended September 30, 2001 and 2000

Revenues. We recognized revenues of \$17.2 million for the three months ended September 30, 2001. Revenues consisted of recurring revenues of \$15.7 million primarily from the leasing of cabinet space and non-recurring revenues of \$1.5 million related to the recognized portion of deferred installation revenue and custom service revenues. Installation and service fees are recognized ratably over the term of the contract. Custom service revenues are recognized upon completion of the services. We recognized revenues of \$3.9 million during the three months ended September 30, 2000.

Cost of Revenues. Cost of revenues increased from \$12.6 million for the three months ended September 30, 2000 to \$24.6 million for the three months ended September 30, 2001. These amounts include \$2.6 million and \$9.6 million, respectively, of depreciation and amortization expense. In addition to depreciation and amortization, cost of revenues consists primarily of rental payments for our leased IBX centers, site employees' salaries and benefits, utility costs, power and redundancy system engineering support services and related costs and security services. The increase in cost of revenues was due to additional leases and increased expenses related to our opening of additional IBX centers. During the quarter ended September 30, 2001, the Company incurred a \$45.3 million restructuring charge related to a revised European services strategy that included accruing for leasehold exit costs related to

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European leases and an approximate \$1.0 million restructuring charge for

anticipated U.S. leasehold exit costs for excess U.S. lease space. The Company expects that this will reduce cost of revenues commencing in fourth quarter 2001; however, these savings will be offset by increased cost of revenues associated with the opening of the New York metropolitan IBX center, including depreciation, and additional cost of revenues in existing IBX centers as the Company's installed base of customers grows.

Sales and Marketing. Sales and marketing expenses decreased from \$5.0 million for the three months ended September 30, 2000 to \$4.0 million for the three months ended September 30, 2001; however, these amounts include \$2.4 million and \$496,000, respectively, of stock-based compensation expense, resulting in a 29% increase in period over period cash spending. Sales and marketing expenses consist primarily of compensation and related costs for the sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. The increase in sales and marketing expense resulted from the addition of personnel in our sales and marketing organizations, reflecting our increased selling effort and our efforts to develop market awareness. During the quarter ended September 30, 2001, the Company incurred a \$1.3 million restructuring charge related to a reduction in workforce that included some sales and marketing staff. In addition, the Company is closely monitoring its discretionary marketing costs as the result of current market conditions. As a result, we do not expect our sales and marketing costs to increase significantly in the foreseeable future, until such time as the Company reaches certain pre-determined levels of profitability.

General and Administrative. General and administrative expenses decreased from \$16.2 million for the three months ended September 30, 2000 to \$12.6 million for the three months ended September 30, 2001. These amounts include \$7.5 million and \$2.4 million, respectively, of stock-based compensation expense and \$652,000 and \$2.8 million, respectively, of depreciation and amortization expense, resulting in an 8% decrease in period over period cash spending. General and administrative expenses consist primarily of salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses. The decrease in general and administrative expenses was primarily the result of several cost savings initiatives that the Company undertook, including some staff reductions and an overall decrease in discretionary spending. Furthermore, during the quarter ended September 30, 2001, the Company incurred a \$1.3 million restructuring charge related to a reduction in workforce that included some general and administrative staff and an approximate \$1.0 million restructuring charge for leasehold exit costs for excess office space in the U.S. As a result of these cost saving measures, we do not expect our general and administrative costs to increase significantly in the foreseeable future.

Restructuring Charge. During the quarter ended September 30, 2001, the Company took a restructuring charge of \$48.6 million consisting of \$45.3 million related to a revised European services strategy, \$2.0 million for certain anticipated excess U.S. leasehold exit costs and \$1.3 million related to a reduction in workforce, primarily in selling, general and administrative functions at the Company's headquarters. During third quarter 2001, the Company decided to partner with other Internet exchange companies in Europe rather than build and operate its own centers outside of the U.S. As a result, the Company i) recorded a write-down of its European construction in progress assets to their net realizable value and recorded a charge totaling \$29.3 million, ii) accrued certain leasehold exit costs for its European leasehold interests in the amount of \$6.4 million, iii) wrote-off its European letters of credit that secured the European leasehold interests in the amount of \$8.6 million and iv) accrued various legal, storage and other costs totaling \$1.0 million to facilitate this change in strategy. The Company expects that the cost-savings benefits of the \$45.3 million European restructuring charge, which will primarily affect cost of revenues, will commence in fourth quarter 2001. However, these cost-savings will be partially offset by the increased operating costs of the New York metropolitan area IBX center. In addition, the Company incurred a \$2.0 million restructuring charge for leasehold exit costs associated with certain excess U.S. leases and a \$1.3 million restructuring charge related to an approximate 15% reduction in workforce in an effort to streamline and reduce the cost structure of the Company's headquarter function. The Company expects to realize the cost savings benefits of the \$2.0 million U.S. lease restructuring charge and \$1.3 million workforce reduction restructuring charge, commencing in the fourth quarter of 2001.

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Adjusted EBITDA. Adjusted EBITDA loss decreased from \$16.6 million for the three months ended September 30, 2000 to \$8.7 million for the three months ended September 30, 2001. Although many factors affect Adjusted EBITDA and costs vary from IBX market to IBX market, as of September 30, 2001, five of our six IBX centers have achieved positive Adjusted EBITDA status. We believe that Adjusted EBITDA losses peaked during the fourth quarter of 2000 and Adjusted EBITDA losses will continue to decline in as the Company approaches Adjusted EBITDA breakeven.

Interest Income. Interest income decreased from \$4.3 million for the three months ended September 30, 2000 to \$2.3 million for the three months ended

September 30, 2001 as a result of a decline in short-term interest rates and reduced cash, cash equivalent and short-term investments.

Interest Expense. Interest expense increased from \$6.5 million for the three months ended September 30, 2000 to \$11.3 million for the three months ended September 30, 2001. The increase in interest expense was attributed to interest on the senior notes, interest related to an increase in our debt facilities and capital lease obligations, including the new senior secured credit facility, and amortization of the senior notes, senior secured credit facility, other debt facilities and capital lease obligations discount.

Nine Months Ended September 30, 2001 and 2000

Revenues. We recognized revenues of \$45.9 million for the nine months ended September 30, 2001. Revenues consisted of recurring revenues of \$42.3 million primarily from the leasing of cabinet space and non-recurring revenues of \$3.6 million related to the recognized portion of deferred installation revenue and custom service revenues. Installation and service fees are recognized ratably over the term of the contract. Custom service revenues are recognized upon completion of the services. We recognized revenues of \$5.0 million during the nine months ended September 30, 2000.

Cost of Revenues. Cost of revenues increased from \$21.3 million for the nine months ended June 30, 2000 to \$74.6 million for the nine months ended September 30, 2001. These amounts include \$4.9 million and \$30.0 million, respectively, of depreciation and amortization expense. In addition to depreciation and amortization, cost of revenues consists primarily of rental payments for our leased IBX centers, site employees' salaries and benefits, utility costs, power and redundancy system engineering support services and related costs and security services. The increase in cost of revenues was due to additional leases and increased expenses related to our opening of additional IBX centers. During the quarter ended September 30, 2001, the Company incurred a \$45.3 million restructuring charge related to a revised European services strategy that included accruing for leasehold exit costs related to European leases and an approximate \$1.0 million restructuring charge for anticipated U.S. leasehold exit costs for excess U.S. lease space. The Company expects that this will reduce cost of revenues commencing in fourth quarter 2001; however, these savings will be offset by increased cost of revenues associated with the opening of the New York metropolitan IBX center, including depreciation, and additional cost of revenues in existing IBX centers as the Company's installed base of customers grows.

Sales and Marketing. Sales and marketing expenses decreased from \$13.8 million for the nine months ended September 30, 2000 to \$13.3 million for the nine months ended September 30, 2001; however, these amounts include \$5.3 million and \$2.3 million, respectively, of stock-based compensation expense, resulting in a 30% increase in period over period cash spending. Sales and marketing expenses consist primarily of compensation and related costs for the sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. The increase in sales and marketing expense resulted from the addition of personnel in our sales and marketing organizations, reflecting our increased selling effort and our efforts to develop market awareness. During the quarter ended September 30, 2001, the Company incurred a \$1.3 million restructuring charge related to a reduction in workforce that included some sales and marketing staff. In addition, the Company is closely monitoring its discretionary marketing costs as the result of current market conditions. As a result, we do not expect our sales and marketing costs to increase significantly in the foreseeable future, until such time as the Company reaches certain pre-determined levels of profitability.

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General and Administrative. General and administrative expenses increased from \$38.4 million for the nine months ended September 30, 2000 to \$47.0 million for the nine months ended September 30, 2001. These amounts include \$14.4 million and \$13.3 million, respectively, of stock-based compensation expense and \$2.0 million and \$6.5 million, respectively, of depreciation and amortization expense, resulting in a 24% increase in period over period cash spending. General and administrative expenses consist primarily of salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses. The increase in general and administrative expenses was primarily the result of increased expenses associated with additional hiring of personnel in management, finance and administration, as well as other related costs associated with supporting the Company's expansion. During the second quarter of 2001, the Company implemented several cost-savings initiatives, including some staff reductions and an overall decrease in discretionary spending. Furthermore, during the quarter ended September 30, 2001, the Company incurred a \$1.3 million restructuring charge related to a reduction in workforce that included some general and administrative staff and an approximate \$1.0 million restructuring charge for leasehold exit costs for excess office space in the U.S. As a result of these cost saving measures, we do not expect our general and administrative costs to increase significantly in the foreseeable future.

Restructuring Charge. During the period ended September 30, 2001, the Company took a restructuring charge of \$48.6 million consisting of \$45.3 million related to a revised European services strategy, \$2.0 million for certain anticipated excess U.S. leasehold exit costs and \$1.3 million related to a reduction in workforce, primarily in selling, general and administrative functions at the Company's headquarters. During third quarter 2001, the Company decided to partner with other Internet exchange companies in Europe rather than build and operate its own centers outside of the U.S. As a result, the Company i) recorded a write-down of its European construction in progress assets to their net realizable value and recorded a charge totaling \$29.3 million, ii) accrued certain leasehold exit costs for its European leasehold interests in the amount of \$6.4 million, iii) wrote-off its European letters of credit that secured the European leasehold interests in the amount of \$8.6 million and iv) accrued various legal, storage and other costs totaling \$1.0 million to facilitate this change in strategy. The Company expects that the cost-savings benefits of the \$45.3 million European restructuring charge, which will primarily affect cost of revenues, will commence in fourth quarter 2001. However, these cost-savings will be partially offset by the increased operating costs of the New York metropolitan area IBX center. In addition, the Company incurred a \$2.0 million restructuring charge for leasehold exit costs associated with certain excess U.S. leases and a \$1.3 million restructuring charge related to an approximate 15% reduction in workforce in an effort to streamline and reduce the cost structure of the Company's headquarter function. The Company expects to realize the cost savings benefits of the \$2.0 million U.S. lease restructuring charge and \$1.3 million workforce reduction restructuring charge, commencing in the fourth quarter of 2001.

Adjusted EBITDA. Adjusted EBITDA loss decreased from \$41.5 million for the nine months ended September 30, 2000 to \$36.4 million for the nine months ended September 30, 2001. Although many factors affect Adjusted EBITDA and costs vary from IBX market to IBX market, as of September 30, 2001, five of our six IBX centers achieved positive Adjusted EBITDA status. We believe that Adjusted EBITDA losses peaked during the fourth quarter of 2000 and Adjusted EBITDA losses will continue to decline in subsequent quarters as the Company approaches Adjusted EBITDA breakeven.

Interest Income. Interest income decreased from \$11.9 million for the nine months ended September 30, 2000 to \$9.5 million for the nine months ended September 30, 2001 as a result of a decline in short-term interest rates and reduced cash, cash equivalent and short-term investments.

Interest Expense. Interest expense increased from \$20.4 million for the nine months ended September 30, 2000 to \$32.9 million for the nine months ended September 30, 2001. The increase in interest expense was attributed to interest on the senior notes, interest related to an increase in our debt facilities and capital lease obligations, including the new senior secured credit facility, and amortization of the senior notes, senior secured credit facility, other debt facilities and capital lease obligations discount.

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Liquidity and Capital Resources

Since inception, we have financed our operations and capital requirements primarily through the issuance of senior notes, the private sale of preferred stock, our initial public offering and various debt financings, including our \$150.0 million senior secured credit facility, for aggregate gross proceeds of approximately \$844.2 million. As of September 30, 2001, we had approximately \$165.8 million in cash, cash equivalents and short-term investments. Furthermore, we have an additional \$32.6 million of restricted cash, cash equivalents and short-term investments to provide collateral under a number of separate security agreements for standby letters of credit and escrow accounts entered into and in accordance with certain lease and construction agreements. Our principal sources of liquidity consist of our cash, cash equivalent and short-term investment balances. As of September 30, 2001, our total indebtedness from our senior notes, senior secured credit facility and debt facilities and capital lease obligations was \$352.5 million; however, in October 2001, the Company repaid \$50.0 million of the senior secured credit facility and subsequently borrowed \$5.0 million under the amended and restated senior secured credit facility. This repayment occurred in conjunction with amending and restating the original agreement to reset certain financial covenants contained in this facility to more accurately reflect current economic market conditions.

Net cash used in our operating activities was \$52.1 million and \$37.3 million for the nine months ended September 30, 2001 and 2000, respectively. We used cash primarily to fund our net loss from operations.

Net cash used in investing activities was \$191.8 million and \$243.6 million for the nine months ended September 30, 2001 and 2000, respectively. Net cash used in investing activities was primarily attributable to the construction of our IBX centers and the purchase of restricted cash and short-term investments.

Net cash generated by financing activities was \$155.1 million and \$351.6

million for the nine months ended September 30, 2001 and 2000, respectively. Net cash generated by financing activities during the nine months ended September 30, 2001 was primarily attributable to the full draw down of our \$150.0 million senior secured credit facility. Net cash generated by financing activities during the nine months ended September 30, 2000 was primarily attributable to the issuance of Series C redeemable convertible preferred stock and the net proceeds from our initial public offering.

In May 1999, we entered into a master lease agreement in the amount of \$1.0 million. This master lease agreement was increased by addendum in August 1999 by \$5.0 million. This agreement bears interest at either 7.5% or 8.5% and is repayable over 42 months in equal monthly payments with a final interest payment equal to 15% of the advance amounts due on maturity. As of September 30, 2001, these capital lease financings were fully drawn.

In August 1999, we entered into a loan agreement in the amount of \$10.0 million. This loan agreement bears interest at 8.5% and is repayable over 42 months in equal monthly payments with a final interest payment equal to 15% of the advance amounts due on maturity. As of September 30, 2001, this loan agreement was fully drawn.

In December 1999, we issued \$200.0 million aggregate principal amount of 13% senior notes due 2007 for aggregate net proceeds of \$193.4 million, net of offering expenses. Of the \$200.0 million gross proceeds, \$16.2 million was allocated to additional paid-in capital for the fair market value of the common stock warrants and recorded as a discount to the senior notes. Senior notes, net of the unamortized discount, are valued at \$187.4 million as of September 30, 2001.

In December 1999, we completed the private sale of our Series B redeemable convertible preferred stock, net of issuance costs, in the amount of \$81.7 million.

In May 2000, we entered into a purchase agreement regarding approximately 80 acres of real property in San Jose, California. In June 2000, before closing on this property, we assigned our interest in the purchase agreement to iStar San Jose, LLC ("iStar"). On the same date, iStar purchased this property

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and entered into a 20-year lease with us for the property. Under the terms of the lease, we have the option to extend the lease for an additional 60 years, for a total lease term of 80 years. In addition, we have the option to purchase the property from iStar after 10 years.

In June 2000, we completed the private sale of our Series C redeemable convertible preferred stock in the amount of \$94.4 million.

In August 2000, we completed an initial public offering of 20,000,000 shares of common stock. In addition, in September 2000, the underwriters exercised their option to purchase 2,704,596 additional shares to cover over-allotments. Total net proceeds from the offering and over-allotment were \$251.5 million.

In December 2000, we entered into a \$150.0 million senior secured credit facility. As of September 30, 2001, this facility has been fully drawn down; however, in October 2001, the Company repaid \$50.0 million of this facility. This repayment occurred in conjunction with amending and restating the original agreement to reset certain financial covenants contained in this facility to more accurately reflect current economic market conditions. Of the \$50.0 million repaid, a total of \$25.0 million is a permanent reduction of this facility, while the remaining \$25.0 million is available for re-borrow under the amended and restated senior secured credit facility. In October 2001, \$5.0 million was drawn under the amended and restated senior secured credit facility with the remaining balance of \$20.0 million available for re-borrow during a future designated period.

In March 2001, we entered into a loan agreement in the amount of \$3.0 million. This loan agreement bears interest at 13.15% and is repayable over 36 months. As of September 30, 2001, this loan agreement was fully drawn.

In June 2001, we entered into a loan agreement in the amount of \$5.0 million. This loan agreement bears interest at 13.0% and is repayable over 36 months. As of September 30, 2001, this loan agreement was fully drawn.

We expect that our cash on hand and anticipated cash flow from operations should be sufficient to complete our seventh IBX center in the New York metropolitan area by the end of 2001. Assuming sufficient customer demand and the availability of additional financing, we may build or buy additional IBX centers and expand certain existing IBX centers. We are continually evaluating the location, number and size of our facilities based upon the availability of suitable sites, financing and customer demand. If we cannot raise additional funds on acceptable terms or our losses exceed our expectations, we may delay or

permanently reduce our rollout plans. Additional financing may take the form of debt or equity. If we are unable to raise additional funds to further our rollout, we anticipate that our existing cash and the cash flow generated from the seven IBX centers, for which we will have obtained financing, will be sufficient to meet the working capital, debt service and corporate overhead requirements associated with those IBX centers for the foreseeable future.

Recent Accounting Pronouncements

In September 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards, or SFAS, No. 133, Accounting for Derivative Instruments and Hedging Activities. In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 137 ("SFAS 137"), "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." In June 2000, the FASB issued SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133." SFAS 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities, and requires that all derivatives, including foreign currency exchange contracts, be recognized on the balance sheet at fair value. The adoption of SFAS 133, as amended by SFAS 137 and SFAS 138, did not have a material impact on our financial position and results of operations.

On July 20, 2001 the FASB issued SFAS No. 141, Business Combinations ("SFAS 141") and SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142").

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SFAS 141 supercedes Accounting Principles Board Opinion No. 16 (APB 16), Business Combinations, and is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001. One of the most significant changes made by SFAS 141 is to require the use of the purchase method of accounting for all business combinations initiated after June 30, 2001.

SFAS 142 supercedes Accounting Principles Board Opinion No. 17 (APB 17), Intangible Assets, but will carry forward provisions in APB 17 related to internally developed intangible assets. SFAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition and is effective for fiscal years beginning after December 15, 2001. However, early adoption of SFAS 142 will be permitted for companies with a fiscal year beginning after March 15, 2001, provided their first quarter financial statements have not been previously issued. In all cases, SFAS 142 must be adopted at the beginning of a fiscal year. The most significant changes made by SFAS 142 are: (1) goodwill and indefinite lived intangible assets will no longer be amortized, (2) goodwill will be tested for impairment at least annually at the reporting unit level, (3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually, and (4) the amortization period of intangible assets with finite lives will no longer be limited to forty years.

The Company does not expect the adoption of either SFAS 141 or SFAS 142 will have a material effect on its consolidated financial statements.

On October 3, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 supercedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 144 applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30. SFAS 144 develops one accounting model for long-lived assets that are to be disposed of by sale. SFAS 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS 144 is effective for the Company for all financial statements issued in fiscal 2002. The Company is currently evaluating the impacts of the adoption of SFAS 144 to its financial statements.

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Other Factors Affecting Operating Results

Risks Related to Our Business

Our business model is new and unproven and we may not succeed in generating sufficient revenue to sustain or grow our business.

We were founded in June 1998. We did not recognize any revenue until November 1999. Our limited history and lack of meaningful financial or operating data makes evaluating our operations and the proposed scale of our business difficult. Moreover, the neutrality aspect of our business model is unique and largely unproven. We expect that we will encounter challenges and difficulties frequently experienced by early-stage companies in new and rapidly evolving markets, such as our ability to generate cash flow, hire, train and retain sufficient operational and technical talent, and implement our plan with minimal delays. We may not successfully address any or all of these challenges and the failure to do so would seriously harm our business plan and operating results, and affect our ability to raise additional funds.

We have a history of losses, and we expect our operating expenses and losses to increase significantly.

As an early-stage company, we have experienced operating losses since inception. As of September 30, 2001, we had cumulative net losses of \$302.6 million and cumulative cash used in operating activities of \$130.8 million since inception. We expect to incur significant losses on a quarterly and annual basis in the foreseeable future. Our losses will increase as we:

- . increase the number and size of IBX centers;
- . increase our sales and marketing activities, including expanding our direct sales force; and
- . enlarge our customer support and professional services organizations.

In addition, we may also use significant amounts of cash and equity to acquire complementary businesses, products, services and technologies, which could further increase our expenses and losses.

We expect our operating results to fluctuate.

We have experienced fluctuations in our results of operations on a quarterly and annual basis. We expect to experience significant fluctuations in the foreseeable future due to a variety of factors, many of which are outside of our control, including:

- . the timely completion of our IBX centers;
- . demand for space and services at our IBX centers;
- . our pricing policies and the pricing policies of our competitors;
- . the timing of customer installations and related payments;
- . customer retention and satisfaction;
- . the provision of customer discounts and credits;
- . competition in our markets;
- . the timing and magnitude of capital expenditures and expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets;
- . the cost and availability of adequate public utilities, including power;
- . growth of Internet use;
- . governmental regulation;
- . conditions related to international operations;
- . economic conditions specific to the Internet industry; and
- . general economic factors.

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In addition, a relatively large portion of our expenses is fixed in the short-term, particularly with respect to real estate and personnel expenses, depreciation and amortization, and interest expenses. Therefore, our results of operations are particularly sensitive to fluctuations in revenues.

Because our ability to generate enough revenues to achieve profitability depends on numerous factors, we may not become profitable.

Our IBX centers may not generate sufficient revenue to achieve profitability. Our ability to generate sufficient revenues to achieve profitability will depend on a number of factors, including:

- . the timely completion of our IBX centers;
- . demand for space and services at our IBX centers;
- . our pricing policies and the pricing policies of our competitors;
- . the timing of customer installations and related payments;
- . customer retention and satisfaction;
- . the provision of customer discounts and credits;
- . competition in our markets;
- . growth of Internet use;
- . governmental regulation;
- . conditions related to international operations;
- . economic conditions specific to the Internet industry; and
- . general economic factors.

Although we have experienced significant growth in revenues in recent

quarters, this growth rate is not necessarily indicative of future operating results. It is possible that we may never achieve profitability on a quarterly or annual basis.

We are substantially leveraged and we may not generate sufficient cash flow to meet our debt service and working capital requirements.

We are highly leveraged. As of September 30, 2001, we had total indebtedness of \$352.5 million consisting primarily of the following:

- . our 13% senior notes due 2007;
- . our \$150.0 million senior secured credit facility; and
- . other outstanding debt facilities and capital lease obligations.

We expect to incur further debt to fund our IBX construction plans and operating losses. Our highly leveraged position could have important consequences, including:

- . impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes;
- . requiring us to dedicate a substantial portion of our operating cash flow to paying principal and interest on our indebtedness, thereby reducing the funds available for operations;
- . limiting our ability to grow and make capital expenditures due to the financial covenants contained in our debt arrangements;
- . impairing our ability to adjust rapidly to changing market conditions, invest in new or developing technologies, or take advantage of significant business opportunities that may arise; and
- . making us more vulnerable if a general economic downturn continues or if our business experiences difficulties.

In the past, we have experienced unforeseen delays and expenses in connection with our IBX construction activities. We will need to successfully implement our business strategy on a timely basis to meet our debt service and working capital needs. We may not successfully implement our business strategy, and even if we do, we may not realize the anticipated results of our strategy or generate sufficient operating cash flow to meet our debt service obligations and working capital needs.

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In the event our cash flow is inadequate to meet our obligations, we could face substantial liquidity problems. If we are unable to generate sufficient cash flow or otherwise obtain funds needed to make required payments under indebtedness, or if we breach any covenants under this indebtedness, we would be in default under its terms and the holders of such indebtedness may be able to accelerate the maturity of such indebtedness, which could cause defaults under our other indebtedness.

We may be unable to draw down additional funds from our senior secured credit facilities and the banks could require repayment of amounts previously drawn down if we do not maintain specific financial ratios and comply with covenants in the credit agreement.

Subsequent to September 30, 2001, we amended and restated our \$150.0 million senior secured credit facility with a permanent \$25.0 million reduction. We also made an additional \$25.0 repayment, of which we immediately re-borrowed \$5.0 million and the remaining \$20.0 million is available to draw during a future designated period provided certain financial covenants are reached. Our \$125.0 million senior secured credit facility contains a number of financial ratios and covenants which we must meet each quarter, such as achieving certain revenue targets and limiting our EBITDA losses. In addition, we have a monthly cash covenant that requires us to maintain certain minimum cash balances. We are in full compliance with all of these covenants and ratios at this time. If we are unable to maintain these ratios or comply with these covenants, we will not be able to draw down additional funds from the amended and restated senior secured credit facility and the banks could require repayment of amounts previously drawn down. If we are unable to draw down the full amount of the amended and restated senior secured credit facility or if we are required to repay amounts currently outstanding under this facility, we may not be able to meet some of our spending needs and this could harm our business.

We are subject to restrictive covenants in our credit agreements that limit our flexibility in managing our business.

Our credit agreements require that we maintain specific financial ratios and comply with covenants containing numerous restrictions on our ability to incur debt, pay dividends or make other restricted payments, sell assets, enter into affiliate transactions and take other actions. Furthermore, our existing financing arrangements are, and future financing arrangements are likely to be, secured by substantially all of our assets.

In addition, we are restricted in how we use funds raised in our debt financings. As a result, from time to time we may not be able to meet some of

our spending needs and this could harm our business.

The success of our business depends on the overall demand for data center space and services and Internet infrastructure services.

Our success depends on the growth of overall demand for data center services. In addition, a large percentage of our revenues are and will in the future be derived from companies providing Internet infrastructure services, such as web hosting companies, managed service providers, storage service providers and performance enhancers. A softening of demand for data center services or Internet infrastructure services caused by a weakening of the global economy in general and the U.S. economy in particular may result in decreased revenues or slower growth for us.

We may continue to have customer concentration.

To date, we have relied upon a small number of customers for a majority of our revenue. We expect that we will continue to rely upon a limited number of customers for a significant percentage of our revenue. As a result of this concentration, a loss of, or decrease in business from, one or more of our large customers could have a material and adverse effect on our results of operations.

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

Our business depends on providing our customers with highly reliable service. We must protect our IBX infrastructure and our customers' equipment located in our IBX centers. The services we provide are subject to failure resulting from numerous factors, including:

- . human error;
- . physical or electronic security breaches;
- . fire, earthquake, flood and other natural disasters;
- . water damage;
- . power loss; and
- . sabotage and vandalism.

Problems at one or more of our IBX centers, whether or not within our control, could result in service interruptions or significant equipment damage. In the past, a limited number of our customers have experienced temporary losses of power. If we incur significant financial commitments to our customers in connection with a loss of power, or our failure to meet other service level commitment obligations, our liability insurance may not be adequate to cover those expenses. In addition, any loss of services, equipment damage or inability to meet our service level commitment obligations, particularly in the early stage of our development, could reduce the confidence of our customers and could consequently impair our ability to obtain and retain customers, which would adversely affect both our ability to generate revenues and our operating results.

Our business could be harmed by prolonged electrical power outages or shortages, or increased costs of energy.

Our IBX centers are susceptible to regional costs of power, electrical power shortages and planned or unplanned power outages caused by these shortages, such as those currently occurring in California. The overall power shortage in California has increased the cost of energy, which we may not be able to pass on to our customers. We attempt to limit exposure to system downtime by using backup generators and power supplies. Power outages, which last beyond our backup and alternative power arrangements, could harm our customers and our business.

Our rollout plan is subject to change and we may need to alter our plan and reallocate funds.

Our IBX center rollout plan has been developed from our current market data and research, projections and assumptions. If we are able to secure additional funds, we expect to pursue additional IBX projects and to reconsider the timing and approach to IBX projects. We expect to continually reevaluate our business and rollout plan in light of evolving competitive and market conditions and the availability of suitable sites, financing and customer demand. As a result, we may alter our IBX center rollout plan, reallocate funds or eliminate segments of our plan entirely if there are:

- . changes or inaccuracies in our market data and research, projections or assumptions;
- . unexpected results of operations or strategies in our target markets;
- . regulatory, technological, or competitive developments, including additional market developments and new opportunities; or
- . changes in, or discoveries of, specific market conditions or factors

favoring expedited development in other markets.

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We depend on third parties to provide Internet connectivity to our IBX centers; if connectivity is not established, delayed or interrupted, our operating results and cash flow will be adversely affected.

The presence of diverse Internet fiber from communications carriers' fiber networks to our IBX centers is critical to our ability to attract new customers. We believe that the availability of such carrier capacity will directly affect our ability to achieve our projected results.

We are not a communications carrier, and as such we rely on third parties to provide our customers with carrier facilities. We rely primarily on revenue opportunities from our customers to encourage carriers to incur the expenses required to build facilities from their locations to our IBX centers. Carriers will likely evaluate the revenue opportunity of an IBX center based on the assumption that the environment will be highly competitive. There can be no assurance that, after conducting such an evaluation, any carrier will elect to offer its services within our IBX centers. In addition, there can be no assurance once a carrier has decided to provide Internet connectivity to our IBX centers that it will continue to do so for any period of time.

The construction required to connect multiple carrier facilities to our IBX centers is complex and involves factors outside of our control, including regulatory processes and the availability of construction resources. For example, in the past carriers have experienced delays in connecting to our facilities due to some of these factors. If the establishment of highly diverse Internet connectivity to our IBX centers does not occur or is materially delayed or is discontinued, our operating results and cash flow will be adversely affected.

We operate in a new highly competitive market and we may be unable to compete successfully against new entrants and established companies with greater resources.

In a market that we believe will likely have an increasing number of competitors, we must be able to differentiate ourselves from existing providers of space for telecommunications equipment and web hosting companies. In addition to competing with neutral colocation providers, we will compete with traditional colocation providers, including local phone companies, long distance phone companies, Internet service providers and web hosting facilities. Most of these companies have longer operating histories and significantly greater financial, technical, marketing and other resources than we do. We believe our neutrality provides us with an advantage over these competitors. However, these competitors could offer colocation on neutral terms, and may start doing so in the same metropolitan areas where we have IBX centers. In addition, some of these competitors may provide our target customers with additional benefits, including bundled communication services, and may do so at reduced prices or in a manner that is more attractive to our potential customers than obtaining space in our IBX centers. If these competitors were to provide communication services at reduced prices together with colocation space, it may lower the total price of these services in a fashion that we cannot match.

We may also face competition from persons seeking to replicate our IBX concept. Our competitors may operate more successfully than we do or form alliances to acquire significant market share. Furthermore, enterprises that have already invested substantial resources in peering arrangements may be reluctant or slow to adopt our approach that may replace, limit or compete with their existing systems. If we are unable to complete the buildout of our IBX centers in a timely manner, other companies may be able to attract the same potential customers that we are targeting. Once customers are located in our competitors' facilities, it will be extremely difficult to convince them to relocate to our IBX centers.

Because of their greater financial resources, some of these companies have the ability to adopt aggressive pricing policies. As a result, in the future, we may suffer from pricing pressure that would adversely affect our ability to generate revenues and adversely affect our operating results.

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Because we depend on the development and growth of a balanced customer base, failure to attract and retain this base of customers could harm our business and operating results.

Our ability to maximize revenues depends on our ability to develop and grow a balanced customer base, consisting of a variety of companies, including network service providers, site and performance management companies, and enterprise and content companies. Our ability to attract customers to our IBX centers will depend on a variety of factors, including the presence of multiple carriers, the overall mix of our customers, our operating reliability and

security and our ability to effectively market our services. Construction delays, our inability to find suitable locations to build additional IBX centers, equipment and material shortages or our inability to obtain necessary permits on a timely basis could delay our IBX center rollout schedule and prevent us from developing our anticipated customer base.

A customer's decision to lease cabinet space in our IBX centers typically involves a significant commitment of resources and will be influenced by, among other things, the customer's confidence that network and other Internet infrastructure-related businesses will be located in a particular IBX center. In particular, some customers will be reluctant to commit to locating in our IBX centers until they are confident that the IBX center has adequate carrier connections. As a result, we have a long sales cycle. We generally incur significant expenses in sales and marketing prior to getting customer commitments for our services. Delays due to the length of our sales cycle may adversely affect our business, financial condition and results of operations.

Our success will also depend upon generating significant interconnection revenues from customers, which may depend upon a balanced customer base, as well as upon the success of our IBX centers and Internet exchange services at facilitating business among customers. In addition, some of our customers will be Internet companies that face many competitive pressures and that may not ultimately be successful. If these customers do not succeed, they will not continue to use our IBX centers. This may be disruptive to our business and may adversely affect our business, financial condition and results of operations.

If not properly managed, our growth and expansion could significantly harm our business and operating results.

We have experienced, and expect to continue to experience, rapid growth. This growth has placed, and we expect it to continue to place, a significant strain on our financial, management, operational and other resources. Any failure to manage growth effectively could seriously harm our business and operating results. To succeed, we will need to:

- . hire, train and retain new employees and qualified engineering personnel at each IBX center;
- . implement additional management information systems;
- . improve our operating, administrative, financial and accounting systems and controls; and
- . maintain close coordination among our executive, engineering, accounting, finance, marketing, sales and operations organizations.

To date, we have experienced difficulties implementing and upgrading our management information systems. We have hired a permanent Chief Information Officer and may need additional information technology personnel to upgrade and operate our management information systems. If we are unable to hire and retain such personnel, and successfully upgrade and operate adequate management information systems to support our growth effectively, our business will be materially and adversely affected.

We may make acquisitions, which pose integration and other risks that could harm our business.

We may seek to acquire complementary businesses, products, services and technologies. As a result of these acquisitions, we may:

- . be required to incur additional debt and expenditures; and

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- . issue additional shares of our stock to pay for the acquired business, product, service or technology, which will dilute existing stockholders' ownership interest in the Company.

In addition, if we fail to successfully integrate and manage acquired businesses, products, services and technologies, our business and financial results would be harmed. Currently, we have no present commitments or agreements with respect to any such acquisitions.

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

We have recently partnered with several international Internet exchange companies to offer our customers a comprehensive global solution for their Internet infrastructure and network exchange needs. Our management has limited experience conducting business outside of the United States and we may not be aware of all the factors that affect our business in foreign jurisdictions. In addition, we have yet to work out all of the operational details of working with these new partners. We will be subject to a number of risks associated with these international business activities that may increase our costs, lengthen our sales cycles and require significant management attention. These risks include:

- . increased costs and expenses related to offering customers a global solution with our chosen partners;
- . increased expenses associated with marketing services in foreign countries or sharing marketing costs with our partners;
- . incurring technical and operational difficulties in rolling out the logistics of these partnerships and getting customers set up;
- . business practices that favor local competition and protectionist laws;
- . difficulties associated with enforcing agreements through foreign legal systems;
- . general economic and political conditions in international markets;
- . potentially adverse tax consequences, including complications and restrictions on the repatriation of earnings;
- . currency exchange rate fluctuations;
- . unusual or burdensome regulatory requirements or unexpected changes to those requirements;
- . tariffs, export controls and other trade barriers; and
- . longer accounts receivable payment cycles and difficulties in collecting accounts receivable.

To the extent that our operations are incompatible with, or not economically viable within, any given foreign market, we may not be able to offer global solutions to customers that require it.

Our stock price has been volatile in the past and is likely to continue to be volatile.

The market price of our common stock has been volatile in the past and is likely to continue to be volatile. In addition, the securities markets in general, and Internet stocks in particular, have experienced significant price volatility and accordingly the trading price of our common stock is likely to be affected by this activity.

If there is a change of control of Equinix, we may be required under our indenture and our senior secured credit facility to repurchase or repay the debt outstanding under those agreements.

Change of control provisions in our indenture and senior secured credit facility could limit the price that investors might be willing to pay in the future for shares of our common stock and significantly impede the ability of the holders of our common stock to change management because the change in control provisions of these agreements can trigger the repayment of the debt outstanding under those agreements.

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We are subject to securities class action litigation, which may harm our business and results of operations.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We are a party to the securities class action litigation described in Part II, Item 1 - "Legal Proceedings" of this report. The defense of the litigation described in Part II, Item 1 may increase our expenses and divert our management's attention and resources, and an adverse outcome in this litigation could seriously harm our business and results of operations. In addition, we may in the future be the target of other securities class action or similar litigation.

Risks Related to Our Industry

If use of the Internet and electronic business does not continue to grow, a viable market for our IBX centers may not develop.

Rapid growth in the use of and interest in the Internet has occurred only recently. Acceptance and use may not continue to develop at historical rates and a sufficiently broad base of consumers may not adopt or continue to use the Internet and other online services as a medium of commerce. Demand and market acceptance for recently introduced Internet services and products are subject to a high level of uncertainty and there are few proven services and products. As a result, we cannot be certain that a viable market for our IBX centers will emerge or be sustainable.

We must respond to rapid technological change and evolving industry standards in order to meet the needs of our customers.

The market for IBX centers will be marked by rapid technological change, frequent enhancements, changes in customer demands and evolving industry standards. Our success will depend, in part, on our ability to address the increasingly sophisticated and varied needs of our current and prospective customers. Our failure to adopt and implement the latest technology in our business could negatively affect our business and operating results.

In addition, we have made and will continue to make assumptions about the

standards that may be adopted by our customers and competitors. If the standards adopted differ from those on which we have based anticipated market acceptance of our services or products, our existing services could become obsolete. This would have a material adverse effect on our business, financial condition and results of operations.

Government regulation may adversely affect the use of the Internet and our business.

Laws and regulations governing Internet services, related communications services and information technologies, and electronic commerce are beginning to emerge but remain largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, telecommunications, and taxation, apply to the Internet and to related services such as ours. In addition, the development of the market for online commerce and the displacement of traditional telephony services by the Internet and related communications services may prompt increased calls for more stringent consumer protection laws or other regulation, both in the United States and abroad, that may impose additional burdens on companies conducting business online and their service providers. The adoption or modification of laws or regulations relating to the Internet, or interpretations of existing law, could have a material adverse effect on our business, financial condition and results of operations.

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Item 3. Qualitative and Quantitative Disclosures about Market Risk

Market Risk

The following discussion about market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We may be exposed to market risks related to changes in interest rates and foreign currency exchange rates and to a lesser extent we are exposed to fluctuations in the prices of certain commodities, primarily electricity.

In the past, we have employed foreign currency forward exchange contracts for the purpose of hedging certain specifically identified net currency exposures. The use of these financial instruments was intended to mitigate some of the risks associated with fluctuations in currency exchange rates, but does not eliminate such risks. We may decide to employ such contracts again in the future. We do not use financial instruments for trading or speculative purposes.

Interest Rate Risk

Our exposure to market risk resulting from changes in interest rates relates primarily to our investment portfolio. Our interest income is impacted by changes in the general level of U.S. interest rates, particularly since the majority of our investments are in short-term instruments. Due to the short-term nature of our investments, we do not believe that we are subject to any material market risk exposure. An immediate 10% increase or decrease in current interest rates would not have a material effect on the fair market value of our investment portfolio. We would not expect our operating results or cash flows to be significantly affected by a sudden change in market interest rates in our investment portfolio.

An immediate 10% increase or decrease in current interest rates would furthermore not have a material impact to our debt obligations due to the fixed nature of our long-term debt obligations. The fair market value of our long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. These interest rate changes may affect the fair market value of the fixed interest rate debt but does not impact earnings or cash flows of the Company.

The fair market value of our 13% senior notes due 2007 is based on quoted market prices. The estimated fair value of our 13% senior notes due 2007 as of September 30, 2001 is approximately \$70.0 million.

Foreign Currency Risk

To date, all of our recognized revenue has been denominated in U.S. dollars, generated mostly from customers in the United States, and our exposure to foreign currency exchange rate fluctuations has been minimal. We expect that future revenues may be derived from customers outside of the United States and may be denominated in foreign currency. As a result, our operating results or cash flows may be impacted due to currency fluctuations relative to the U.S. dollar.

Furthermore, to the extent we engage in international sales that are denominated in U.S. dollars, an increase in the value of the U.S. dollar relative to foreign currencies could make our services less competitive in the international markets. Although we will continue to monitor our exposure to

currency fluctuations, and when appropriate, may use financial hedging techniques in the future to minimize the effect of these fluctuations, we cannot assure you that exchange rate fluctuations will not adversely affect our financial results in the future.

Commodity Price Risk

Certain operating costs incurred by Equinix are subject to price fluctuations caused by the volatility of underlying commodity prices. The commodities most likely to have an impact on our results of operations in the event of significant price changes are electricity and building materials for the construction of our

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IBX centers such as steel. We are closely monitoring the cost of electricity, particularly in California. To the extent that electricity costs continue to rise, we are investigating opportunities to pass these additional power costs onto our customers that utilize this power. For building materials, we rely on Bechtel's expertise and bulk purchasing power to best manage the procurement of these required materials for the construction of our IBX centers. We do not employ forward contracts or other financial instruments to hedge commodity price risk.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On July 30, 2001 and August 8, 2001, putative shareholder class action lawsuits were filed against Equinix, certain of its officers and directors, and several investment banks that were underwriters of our initial public offering. The cases were filed in the United States District Court for the Southern District of New York, purportedly on behalf of investors who purchased our stock between August 10, 2000 and December 6, 2000. The suits allege that the underwriter defendants agreed to allocate stock in Equinix's initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. Plaintiffs allege that the Prospectus for our initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. It is possible that additional similar complaints may also be filed. Equinix and its officers and directors intend to defend the action vigorously. We believe that more than one hundred other companies have been named in nearly identical lawsuits that have been filed by some of the same plaintiffs' law firms.

Item 2. Changes in Securities and Use of Proceeds.

(a) Modification of Constituent Instruments.

None.

(b) Change in Rights.

None.

(c) Issuance of Securities.

On September 24, 2001, we issued two warrants to purchase a total of 600,000 shares of our common stock with exercise prices of \$0.01 per share to Worldcom Venture Fund, Inc.

The sale of the above securities was determined to be exempt from registration under Section 4(2) of the Securities Act as transactions by an issuer not involving any public offering. In addition, the recipient of securities in such transaction represented their intentions to acquire the securities for investment only and not with a view to, or for sale in connection with, any distribution thereof. The recipient had adequate access, through its relationship with us, to information about us.

(d) Use of Proceeds.

The effective date of the Company's registration statement for our initial public offering, filed on Form S-1 under the Securities Act of 1933, as amended (Commission File No. 333-93749), was August 10, 2000. There has been no change to the disclosure contained in the Company's report on Form 10-Q for the quarter ended September 30, 2000 regarding the use of proceeds generated by the Company's initial public offering of its common stock.

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Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

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

(a) Exhibits.

<TABLE> <CAPTION> Exhibit Number	Description of Document
<S>	<C>
3.1**	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.
3.2*	Bylaws of the Registrant.
4.1	Reference is made to Exhibits 3.1 and 3.2.
4.2**	Form of Registrant's Common Stock certificate.
4.6*	Common Stock Registration Rights Agreement (See Exhibit 10.3).
4.9*	Amended and Restated Investors' Rights Agreement (See Exhibit 10.6).
10.1*	Indenture, dated as of December 1, 1999, by and among the Registrant and State Street Bank and Trust Company of California, N.A. (as trustee).
10.2* and	Warrant Agreement, dated as of December 1, 1999, by and among the Registrant and State Street Bank and Trust Company of California, N.A. (as warrant agent).
10.3* Registrant,	Common Stock Registration Rights Agreement, dated as of December 1, 1999, by and among the Registrant and the Initial Purchasers.
10.4*	Benchmark Capital Partners II, L.P., Cisco Systems, Inc., Microsoft Corporation, ePartners, Albert M. Avery, IV and Jay S. Adelson (as investors), and the Initial Purchasers.
10.5*	Registration Rights Agreement, dated as of December 1, 1999, by and among the Registrant and the Initial Purchasers.
10.6*	Form of Indemnification Agreement between the Registrant and each of its officers and directors.
10.6*	Amended and Restated Investors' Rights Agreement, dated as of May 8, 2000, by and between the Registrant, the Series A Purchasers, the Series B Purchasers, the Series C Purchasers and members of the Registrant's management.
10.8*	The Registrant's 1998 Stock Option Plan.
10.9**	Lease Agreement with Carlyle-Core Chicago LLC, dated as of September 1, 1999.
10.10**	Lease Agreement with Market Halsey Urban Renewal, LLC, dated as of May 3, 1999.
10.11**	Lease Agreement with Laing Beaumeade, dated as of November 18, 1998.
10.12**	Lease Agreement with Rose Ventures II, Inc., dated as of June 10, 1999.
10.13**	Lease Agreement with Carrier Central LA, Inc., as successor in interest to 600 Seventh Street Associates, Inc., dated as of August 8, 1999.
10.14**	First Amendment to Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of October 28, 1999.
10.15**	Lease Agreement with Nexcomm Asset Acquisition I, L.P., dated as of January 21, 2000.
10.16** as	Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of December 15, 1999.
10.17*	Lease Agreement with ARE-2425/2400/2450 Garcia Bayshore LLC, dated as of January 28, 2000.
10.19**	Master Agreement for Program Management, Site Identification and Evaluation, Engineering and Construction Services between Equinix, Inc. and Bechtel Corporation, dated November 3, 1999.
10.20**	Agreement between Equinix, Inc. and WorldCom, Inc., dated November 16, 1999.
10.21*	Customer Agreement between Equinix, Inc. and WorldCom, Inc., dated November 16, 1999.
10.22**	Lease Agreement with GIP Airport B.V., dated as of April 28, 2000.
10.23*	Purchase Agreement between International Business Machines Corporation and Equinix, Inc. dated May 23, 2000.
10.24**	2000 Equity Incentive Plan.
10.25**	2000 Director Option Plan.
10.26**	2000 Employee Stock Purchase Plan.
10.27**	Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated June 21, 2000.
10.28***	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of July 1, 2000.
10.29***	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of May 1, 2000.
10.30***	Lease Agreement with Carrier Central LA, Inc., as successor in interest to 600 Seventh Street

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<TABLE>	
<S>	<C>
	Associates, Inc., dated as of August 24, 2000.
10.31****+	Lease Agreement with Burlington Associates III Limited Partnership, dated as of July 24, 2000.
10.32****+	Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of August 7, 2000.
10.33****+	Lease Agreement with Quattrocento Limited, dated as of June 1, 2000.
10.34****	Lease Agreement with ARE-2425/2400/2450 Garcia Bayshore, LLC, dated as of March 20, 2000.
10.35****	First Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of October 11, 2000.
10.37****+	Lease Agreement with Quattrocento Limited, dated as of June 9, 2000.
10.39****+	Second Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of December 22, 2000.
10.40****	Third Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of March 8, 2001.
10.41****+	Fourth Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, acting in partnership under the name Naxos-Union Grundstücksverwaltungsgesellschaft GbR, dated as of July 3, 2001.
10.42****+	First Amendment to Deed of Lease with TrizecHahn Beaumeade Technology Center LLC, dated as of March 22, 2001.
10.43****+	First Lease Amendment Agreement with Market Halsey Urban Renewal, LLC, dated as of May 23, 2001.
10.44****+	First Amendment to Lease with Nexcomm Asset Acquisition I, L.P., dated as of April 18, 2000.
10.45****+	Amendment to Lease Agreement with Burlington Realty Associates III Limited Partnership, dated as of December 18, 2000.
10.46	First Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of September 26, 2001.
10.47	Amended and Restated Credit and Guaranty Agreement, dated as of September 30, 2001.
10.48	2001 Supplemental Stock Plan.
16.1*	Letter regarding change in certifying accountant.
21.1****	Subsidiaries of Equinix.
- - - - -	
</TABLE>	

* Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement on Form S-4 (Commission File No. 333-93749).
** Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement in Form S-1 (Commission File No. 333-39752).
*** Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
**** Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
***** Incorporated herein by reference to the exhibit of the same number in the Registrants' Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
+ Confidential treatment has been requested for certain portions which are omitted in the copy of the exhibit electronically filed with the Securities and Exchange Commission. The omitted information has been filed separately with the Securities and Exchange Commission pursuant to Equinix's application for confidential treatment.

(b) Reports on Form 8-K.

None.

EQUINIX, INC.

SIGNATURE

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.

EQUINIX, INC.

Date: November 13, 2001

By: /S/ PHILIP J. KOEN

Interim Chief Financial Officer
and Chief Operating Officer

/S/ KEITH D. TAYLOR

Vice President, Finance
(Principal Financial
and Accounting Officer)

FIRST MODIFICATION TO GROUND LEASE

THIS FIRST MODIFICATION TO GROUND LEASE (this "Modification") is made on September 26, 2001, and is effective as of October 1, 2001 (the "Effective Date"), by and between ISTAR SAN JOSE, LLC, a Delaware limited liability company ("Lessor"), and EQUINIX, INC., a Delaware corporation ("Lessee").

R E C I T A L S

A. Lessor and Lessee entered into that certain Ground Lease dated as of June 21, 2000 (the "Lease"), which Lease covers approximately 78.446 acres of unimproved real property, located in the City of San Jose, County of Santa Clara, State of California, as more particularly described in the Lease. Capitalized terms used but not defined herein shall have the meanings set forth in the Lease.

B. Concurrently with the execution of the Lease, Lessor and Lessee executed a Memorandum of Lease and Purchase Option, dated as of June 21, 2000 (the "Original Memorandum"), which Original Memorandum was recorded on June 21, 2000, as Document No.15286834 in the Official Records of Santa Clara County, California.

C. Lessee has requested that (i) Lessor grant Lessee the Purchase Option on December 31, 2002, in addition to the other Available Closing Dates set forth in the Lease, and (ii) Lessor reduce the Annual Base Rent payable by Lessee under the Lease during the twelve (12) month period commencing on October 1, 2001, and ending on September 30, 2002 (the "Base Rent Reduction Period") by the sum of Three Million Dollars (\$3,000,000.00).

D. Pursuant to Section 9.1(b) of the Lease, Lessee is required to increase the LC Face Amount to Thirty-Five Million Dollars (\$35,000,000.00) if Lessee fails to perform certain obligations set forth in Section 9.1(b)(ii) of the Lease on or before December 21, 2001 (the "Outside Date"), including, among other things, if it has not commenced construction of Qualifying Buildings and completed a Qualifying Secondary Offering. Lessee has determined that it will not have commenced construction of Qualifying Buildings and closed a Qualifying Secondary Offering by the Outside Date, and has requested that Lessor agree to a smaller increase in the LC Face Amount than would otherwise be required under Section 9.1(b) of the Lease.

E. Lessor is willing to (i) accelerate the first Available Closing Date, (ii) reduce the Annual Base Rent payable during the Base Rent Reduction Period, and (iii) reduce the amount by which the LC Face Amount is to be increased as a result of Lessee not commencing construction of Qualifying Buildings and not completing

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a Qualifying Secondary Offering by the Outside Date, provided that Lessee agrees to (i) pay the Rent payable with respect to the Base Rent Reduction Period in advance on the first day of the Base Rent Reduction Period, and (ii) increase the LC Face Amount to Twenty-Five Million Dollars (\$25,000,000) of the date of this First Modification and Lessee is willing to so agree.

A G R E E M E N T

NOW THEREFORE, in consideration of the agreements of Lessor and Lessee herein contained and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lessor and Lessee hereby agree to modify the Lease as follows:

1. DEFINITIONS

(a) The following definition is hereby added to Section 1 of the Lease:

"First Modification" means the First Modification to Ground Lease, by and between Lessor and Lessee, dated as of October 1, 2001.

(b) The definition of "Augmented LC Amount" set forth in Section 1 of the Lease is hereby deleted in its entirety and the following definition is hereby substituted therefor:

"Augmented LC Amount" is defined in Section 3(a) of the First Modification.

(c) The definition of "Construction Costs" set forth in Section 1 of the Lease is hereby deleted in its entirety and the following definition is hereby substituted therefor:

"Construction Costs" means, with respect to a Building, the total costs of construction of such Building, together with a contingency in an amount

reasonably acceptable to Lessor.

(d) The definitions of Minimum Available Cash Period, Net Proceeds, Original LC Face Amount, Outside Initial IPO Date, Outside Secondary Offering Date, Qualifying Buildings, Qualifying IPO, Qualifying Secondary Offering and Secondary Offering set forth in Section 1 of the Lease are hereby deleted in their entirety.

2. RENT

(a) The Annual Base Rent payable during the Base Rent Reduction Period shall be reduced by the sum of Three Million Dollars (\$3,000,000.00) to the aggregate sum of Six Million Five Hundred Eighty-Three Thousand Nine Hundred

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Thirty-Four and 61/100 Dollars (\$6,583,934.61) (the "Adjusted Base Rent"), provided that, on or before the Effective Date, and in consideration of such rent reduction and the other agreements of Lessor set forth herein, Lessee shall pay the Adjusted Base Rent to Lessor in full. Lessee understands and agrees that Lessor's willingness to reduce the Annual Base Rent as provided in this Section 2 is a one-time concession, that Lessor has not and shall not agree to any further reductions in the Annual Base Rent and that, upon the expiration of the Base Rent Reduction Period, Lessee shall recommence paying Annual Base Rent in the full amount specified in Section 4.1(a) of the Lease.

(b) For purposes of calculating the adjustments to be made to the Annual Base Rent pursuant to Section 4.1(b) of the Lease, the parties shall disregard the reduction provided for in Section 2(a) above and shall calculate the adjustments based upon the current Annual Base Rent payable under the Lease as of each Adjustment Date.

3. LETTER OF CREDIT

(a) On or before September 30, 2001, , Lessee shall deliver to Lessor an amendment to the Letter of Credit or a replacement Letter of Credit increasing the LC Face Amount to the sum of Twenty-Five Million Dollars (\$25,000,000.00) and otherwise satisfying the requirements of Section 9.1 of the Lease. From and after the date of this Modification, the term "Augmented LC Amount", as used in the Lease, shall mean the sum of Twenty-Five Million Dollars (\$25,000,000.00). Lessee shall cause the Letter of Credit, as increased pursuant to this Section 3(a), to be maintained in effect through the LC Termination Date. Lessee shall be entitled to reduce the amount of the Letter of Credit below the Augmented LC Amount, if at all, solely to the extent provided in Section 9.1(c) of the Lease.

(b) Section 9.1(b) of the Lease is hereby deleted in its entirety and the following Section 9.1(b) is hereby substituted therefor:

(b) [Intentionally Blank].

(c) Section 9.1(c) of the Lease is hereby deleted in its entirety and the following Section 9.1(c) is hereby substituted therefor:

(c) Notwithstanding the terms of Sections 9.1(a) above, Lessee shall be entitled to reduce the then-current Augmented LC Amount from time to time during the period commencing on January 1, 2003 (the "Potential Reduction Period"), as Lessee constructs Buildings on the Premises, all on the terms and subject to the conditions set forth in subsections (i) through (iii) below:

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(i) Concurrently with the commencement of construction of each Building on the Premises during the Potential Reduction Period (for purposes of this subsection, a Building the construction of which was commenced prior to the Potential Reduction Period shall be deemed commenced as of the first day of the Potential Reduction Period), Lessee shall have the right to reduce the then-current Augmented LC Amount, by the applicable Reduction Amount for such Building. For purposes of this clause (i), the following terms shall have the meanings set forth below:

(A) "Aggregate Permitted Square Footage" means the greater of one million two hundred thousand (1,200,000) gross square feet or the aggregate gross square footage of Buildings permitted to be constructed on the Premises pursuant to Entitlements issued by the City as of the first date of the Potential Reduction Period.

(B) "Applicable Percentage" means, with respect to any Building, the ratio (expressed as a percentage) that the gross square footage of such Building bears to the Aggregate Permitted Square Footage. By way of example only, if the Aggregate Permitted Square Footage is one million two hundred thousand (1,200,000) square feet,

and if Lessee is commencing construction of a Building containing a total of one hundred twenty thousand (120,000) square feet, the Applicable Percentage of such Building shall be ten percent (10%).

(C) "Augmented LC Face Amount" means Twenty-Five Million Dollars (\$25,000,000.00).

(D) "Reduction Amount" means, with respect to any Building, an amount equal to such Building's Applicable Percentage of the Augmented LC Face Amount.

An example of the calculation contemplated under this Section 9.1(c) is set forth on Exhibit D hereto.

(ii) If Lessee commences construction of any Building and reduces the Augmented LC Amount concurrently therewith as contemplated under subsection (i) above, and if Lessee does not thereafter Substantially Complete such Building within eighteen (18) months after the commencement of construction thereof, then Lessee shall be required to restore the Augmented LC Amount to the amount that would be in place if such reduction had not occurred; provided, however, that Lessee shall be entitled to again reduce the Augmented

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LC Amount (as restored pursuant to the foregoing clause) at such time as Lessee actually Substantially Completes such Building.

(iii) Notwithstanding the terms of subsections (i) and (ii) immediately above, if an Event of Default or Potential Default is occurring hereunder at the time Lessee is entitled to reduce the amount of the Letter of Credit, then Lessee's right to so reduce the Letter of Credit shall be suspended until the Event of Default or Potential Default has been fully cured or waived by Lessor in writing.

(d) Subsection (iii) in Section 9.1(d) of the Lease is hereby deleted in its entirety and the following provision is hereby substituted therefor:

(iii) that the beneficial interest under the Letter of Credit shall be freely transferable one or more times and, therefore, in the event of Lessor's (or any successor Lessor's) assignment or other transfer of its interest in this Lease, the Letter of Credit shall be freely transferable by Lessor (or any successor Lessor), without recourse and without the payment of any fee or consideration, to the assignee or transferee of such interest and the LC Issuer shall confirm the same to Lessor (or such successor) and such assignee or transferee.

(e) Section 14.1(d) of the Lease is hereby deleted in its entirety and the following provision is hereby substituted therefor:

(d) If Lessee fails to restore the Letter of Credit to the LC Face Amount or the Augmented LC Amount, as applicable, pursuant to Section 9.1(a) above, increase the amount of the Letter of Credit to the Augmented LC Amount when required pursuant to Section 9.1(c), or deliver to Lessor a modified or amended Letter of Credit when required pursuant to Section 9.1(d) above.

(f) Section 22(a) of the Lease is hereby deleted in its entirety and the following provision is hereby substituted therefor:

(a) [Intentionally Blank];

4. OPTION TO PURCHASE

(a) Section 18.1(a) of the Lease is hereby deleted in its entirety and the following provision is hereby substituted therefor:

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(a) Subject to Section 18.1(d) and provided that no Monetary Event of Default is occurring hereunder either on the date Lessee delivers a Purchase Notice to Lessor or on the Closing Date, Lessee shall have the right to purchase the Premises on December 31, 2002 and on the date which is every ten (10) years after the date of the Term Commencement Date during the term (each such date being herein referred to as an "Available Closing Date");

(b) The last sentence of Section 20(b) of the Lease is hereby deleted in its entirety and the following provision is hereby substituted therefor:

For purposes of this Section 20(b), "Maximum Reversion Value" shall mean (i) as of the second (2nd/) anniversary of the date hereof (the "Initial Date"), One Million Five Hundred Thousand Dollars (\$1,500,000) (the "Initial Amount"), (ii) as of the tenth (10th) anniversary of the date hereof (the "Base Date"), Three Million Five Hundred Thousand Dollars (\$3,500,000.00) (the "Base Amount"), and (iii) as of any date after the Base Date, the sum of the Base Amount and the amount of interest that would accrue on the Base Amount from the Base Date to the measuring date, at eleven percent (11%) per annum, compounded annually; provided, however, that (A) if the Maximum Reversion Value is being determined prior to the Initial Date, it shall be the amount obtained by discounting, at eleven percent (11%) per annum, the Initial Amount from the Initial Date to the measuring date. or (B) if the Maximum Reversion Value is being determined prior to the Base Date, it shall be the amount obtained by discounting, at eleven percent (11%) per annum, the Base Amount from the Base Date to the measuring date.

5. MISCELLANEOUS MODIFICATIONS

(a) The address for Lessee in Section 23.1 of the Lease is deleted in its entirety and the following address is hereby substituted therefor:

If to Lessee: Equinix, Inc.
2450 Bayshore Parkway
Mountain View, CA 94043
Attention: Chief Financial Officer

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(b) The address for Lessor in Section 23.1 of the Lease is modified by deleting the "Attention" line in its entirety and substituting therefor "Attention: Jay Sugerman and Nina Matis".

6. REPRESENTATIONS, WARRANTIES AND COVENANTS

Lessee hereby represents, warrants and covenants to Lessor as follows:

(a) Lessee is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to transact business in the State of California.

(b) Lessee has taken all necessary action to authorize the execution, delivery and performance of this Modification. This Modification constitutes the legal, valid and binding obligation of Lessee.

(c) Lessee has the right, power, legal capacity and authority to enter into and perform its obligations under this Modification, and no approval or consent of any Person is required in connection with Lessee's execution and performance of this Modification that has not been obtained. The execution and performance of this Modification will not result in or constitute any default or event that would be, or with notice or lapse of time or both would be, a default, breach or violation of the organizational instruments governing Lessee or any agreement or any deed restriction or order or decree of any court or other governmental authority to which Lessee is a party or to which it is subject.

(d) Lessee is the sole owner and holder of the leasehold estate and leasehold interest created by the Lease, and Lessee has not made or agreed to make any assignment, sublease, transfer, conveyance, encumbrance, or other disposition of the Lease, Lessee's leasehold estate or any other right, title or interest under or arising by virtue of the Lease.

(e) Lessee has not (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors, (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets, (iv) suffered the attachment or other judicial seizure of all or substantially all of its assets, (v) admitted in writing its inability to pay its debts as they become due, or (vi) made an offer of settlement, extension or composition to its creditors generally.

(f) At the time of the execution of this Agreement, Lessee is generally paying its debts as they become due, and the aggregate value of Lessee's assets at fair value exceeds the aggregate value of Lessee's liabilities.

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Lessee shall take all actions necessary to ensure that each of the representations, warranties and covenants contained in this Section 5 remain

true and correct in all material respects at all times during the period between the date of this Modification and the expiration of the Term and any holdover period.

7. RESTRUCTURING FEE

Concurrently with the execution of this Modification, Lessee shall pay to Lessor a restructuring fee in the amount of One Hundred Thousand Dollars (\$100,000.00) (the "Restructuring Fee"). The Restructuring Fee shall be deemed fully earned when paid to Lessor and shall not be refundable to Lessee, in whole or in part, at any time. Lessee shall not be obligated to reimburse Lessor for any fees and expenses, including attorney fees and expenses, it incurs in connection with this Modification.

8. MEMORANDUM OF LEASE AND PURCHASE OPTION

Concurrently herewith, Lessor and Lessee shall execute and record in the Official Records of Santa Clara County, California, an Amended and Restated Memorandum of Lease and Purchase Option in the form attached hereto as Exhibit A (the "Amended Memorandum"), which Amended Memorandum shall amend and restate the Original Memorandum in its entirety.

9. BROKERS

Lessor and Lessee each represents and warrants to the other that neither it nor its officers or agents nor anyone acting on its behalf has dealt with any real estate broker in the negotiating or making of this Modification, and each party agrees to indemnify and hold harmless the other from any claim or claims, and costs and expenses, including attorneys' fees, incurred by the indemnified party in conjunction with any such claim or claims of any other broker or brokers to a commission in connection with this Modification as a result of the actions of the indemnifying party.

10. MISCELLANEOUS

A. As amended hereby, the Lease is hereby ratified and confirmed in all respects. In the event of any inconsistencies between the terms of this Modification and the Lease, the terms of this Modification shall prevail. This Modification shall bind and inure to the benefit of Lessor and Lessee and their respective legal representatives and successors and assigns.

B. This Modification may be executed in counterparts each of which counterparts when taken together shall constitute one and the same agreement.

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C. Except as set forth in this Modification, all terms and conditions of the Lease shall remain in full force and effect.

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IN WITNESS WHEREOF, Lessor and Lessee have executed this Modification as of the date first above written.

LESSOR:

ISTAR SAN JOSE, LLC,
a Delaware limited liability company

By: TriNet Corporate Realty Trust, Inc.,
a Maryland corporation,
Its: Sole Member

By: _____
Name: _____
Title: _____

LESSEE:

EQUINIX, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXECUTION

AMENDED AND RESTATED

CREDIT AND GUARANTY AGREEMENT

dated as of September 30, 2001

among

EQUINIX OPERATING CO., INC.
as Borrower

and

EQUINIX, INC. AND CERTAIN OF ITS SUBSIDIARIES,
as Guarantors,

VARIOUS LENDERS,

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Joint Lead Arranger, Joint Book Runner and Syndication Agent,SALOMON SMITH BARNEY INC.,
as Joint Lead Arranger and Joint Book Runner,CITICORP USA, INC.,
as Administrative Agent,

and

CIT LENDING SERVICES CORPORATION

as Collateral Agent,

\$125,000,000 SENIOR SECURED CREDIT FACILITIES

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AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT

This AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT, dated as of September 30, 2001, is entered into by and among EQUINIX OPERATING CO., INC., a Delaware corporation, as the Borrower ("OpCo"), EQUINIX, INC., a Delaware corporation, as a Guarantor ("Company"), and CERTAIN SUBSIDIARIES OF THE COMPANY, as Guarantors, the Lenders party hereto from time to time, GOLDMAN SACHS CREDIT PARTNERS L.P. ("GSCP"), as Joint Lead Arranger, Joint Book Runner and Syndication Agent (in such capacity, "Syndication Agent"), SALOMON SMITH BARNEY INC., as Joint Lead Arranger (in such capacity, together with GSCP, the "Joint Lead Arrangers"), and Joint Book Runner (in such capacity, together with GSCP, the "Joint Book Runners"), CITICORP USA, INC., as Administrative Agent (together with its permitted successors and assigns in such capacity, "Administrative Agent") and CIT LENDING SERVICES CORPORATION, as Collateral Agent (together with its permitted successors and assigns in such capacity, "Collateral Agent").

RECITALS:

WHEREAS, capitalized terms used in these Recitals shall have the respective meanings set forth for such terms in Section 1.1 hereof;

WHEREAS, pursuant to the Existing Credit Agreement, Lenders agreed to extend certain credit facilities to Borrowers, in an aggregate amount not to exceed \$150,000,000, consisting of \$50,000,000 aggregate principal amount of Term Loans drawn on January 2, 2001, \$75,000,000 aggregate principal amount of Delayed Draw Term Loans drawn on March 5, 2001, and \$25,000,000 aggregate principal amount of Revolving Loans drawn on June 27, 2001, the proceeds of which were used to (i) to pay Transaction Costs, (ii) to provide financing for

the cost of design, development, acquisition, construction, installation, improvement, transportation, and/or integration of equipment, inventory or facility assets and of leasing and acquiring of real property and/or (iii) for the working capital and other general corporate purposes of Company and its Restricted Subsidiaries, as well as for certain limited purposes of its Unrestricted Subsidiaries;

WHEREAS, pursuant to the Existing Credit Agreement and the other documents entered into in connection therewith Company secured all of its obligations under the Existing Credit Agreement by granting to Collateral Agent, for the benefit of Secured Parties, a First Priority Lien on substantially all of its assets, including a pledge of all of the Capital Stock of each of its Restricted Subsidiaries, other than Purchase Money Loans made to Company which were secured solely by the assets financed with the proceeds of such Loans;

WHEREAS, pursuant to the Existing Credit Agreement and the other documents entered into in connection therewith OpCo has secured all of its obligations under the Existing Credit Agreement by granting to Collateral Agent, for the benefit of Secured Parties, a First Priority Lien on substantially all of its assets, including a pledge of all of the Capital Stock of each of its Restricted Subsidiaries and 65% of all the Capital Stock of each of its first-tier Foreign Subsidiaries;

WHEREAS, pursuant to the Existing Credit Agreement and the other documents entered into in connection therewith Guarantors have guaranteed the obligations of OpCo (and, to the extent not prohibited under the Senior Notes, Company) hereunder and to secure their respective obligations thereunder by granting to Collateral Agent, for the benefit of Secured Parties, a First Priority Lien on substantially all of their respective assets, including a pledge of all of the Capital Stock of each of their respective Domestic Subsidiaries and 65% of all the Capital Stock of each of their respective Foreign Subsidiaries;

WHEREAS, Company and OpCo have informed Lenders that certain financial covenants set forth in Sections 6.6 and 6.7 of the Existing Credit Agreement will not be satisfied as of September 30, 2001 and subsequent dates and have requested that Lenders agree to amend such financial covenants;

WHEREAS, in order to induce Lenders to agree to amend the financial covenants referred to above, Company and OpCo have agreed to prepay \$50,000,000 of the outstanding Existing Loans on the Effective Date (subject to OpCo's right to reborrow up to \$25,000,000 under certain terms and conditions), to amend and restate the Existing Credit Agreement as provided herein and to take certain other actions as set forth in Section 3.1 and other provisions of this Agreement, all on the terms and conditions set forth herein;

WHEREAS, it is the intent of the parties hereto that this Agreement not constitute a novation of the obligations and liabilities of the parties under the Existing Credit Agreement and that this Agreement amend and restate in its entirety the Existing Credit Agreement and re-evidence the Obligations of OpCo and each other Credit Party outstanding after giving effect to the prepayment of Existing Loans on the Effective Date contemplated hereby; and

WHEREAS, it is the intent of Credit Parties to confirm that all Obligations of Credit Parties under the other Credit Documents, as amended hereby, shall continue in full force and effect and that, from and after the Effective Date, all references to the "Credit Agreement" contained therein shall be deemed to refer to this Agreement.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree to amend and restate the Existing Credit Agreement as follows:

SECTION 1. DEFINITIONS AND INTERPRETATION

1.1 Definitions. The following terms used herein, including in the preamble, recitals, exhibits and schedules hereto, shall have the following meanings:

"Adjusted Eurodollar Rate" means, for any Interest Rate Determination Date with respect to an Interest Period for a Eurodollar Rate Loan, the rate per annum obtained by dividing (and rounding upward to the next whole multiple of 1/16 of 1%) (i) (a) the rate per annum (rounded to the nearest 1/100 of 1%) equal to the rate determined by Administrative Agent to be the offered rate which appears on the page of the Telerate Screen which displays an average British Bankers Association Interest Settlement Rate (such page currently being page number 3740 or 3750, as applicable) for deposits (for delivery on the first day of such period)

(b) in the event the rate referenced in the preceding clause (a) does not appear on such page or service or if such page or service shall cease to be available, the rate per annum (rounded to the nearest 1/100 of 1%) equal to the rate determined by Administrative Agent to be the offered rate on such other page or other service which displays an average British Bankers Association Interest Settlement Rate for deposits (for delivery on the first day of such period) with a term equivalent to such period in Dollars, determined as of approximately 11:00 a.m. (London, England time) on such Interest Rate Determination Date, or (c) in the event the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum (rounded to the nearest 1/100 of 1%) equal to the offered quotation rate to first class banks in the London interbank market by Administrative Agent for deposits (for delivery on the first day of the relevant period) in Dollars of amounts in same day funds comparable to the principal amount of the applicable Loan of Administrative Agent, in its capacity as a Lender, for which the Adjusted Eurodollar Rate is then being determined with maturities comparable to such period as of approximately 11:00 a.m. (London, England time) on such Interest Rate Determination Date, by (i) an amount equal to (a) one minus (b) the Applicable Reserve Requirement.

"Administrative Agent" as defined in the preamble hereto.

"Adverse Proceeding" means any action, suit, proceeding (whether administrative, judicial or otherwise), governmental investigation or arbitration (whether or not purportedly on behalf of Company or any of its Restricted Subsidiaries) at law or in equity, or before or by any Governmental Authority, domestic or foreign (including any Environmental Claims), whether pending or, to the knowledge of Company or any of its Restricted Subsidiaries, threatened against or affecting Company or any of its Restricted Subsidiaries or any property of Company or any of its Restricted Subsidiaries.

"Affected Lender" as defined in Section 2.17(b).

"Affected Loans" as defined in Section 2.17(b).

"Affiliate" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power (i) to vote 10% or more of the Securities having ordinary voting power for the election of directors of such Person or (ii) to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise. Neither any Agent nor any Lender shall be deemed Affiliates of any Credit Party, by virtue of the security interests granted under the Pledge and Security Agreement.

"Agent" means each of the Joint Lead Arrangers, Joint Book Runners, Syndication Agent, Administrative Agent, Collateral Agent and Documentation Agent.

"Aggregate Amounts Due" as defined in Section 2.16.

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"Aggregate Payments" as defined in Section 7.2.

"Agreement" means prior to the Effective Date, the Existing Credit Agreement and, on and after the Effective Date, this Amended and Restated Credit and Guaranty Agreement, dated as of September 30, 2001, as it may be amended, restated, supplemented or otherwise modified from time to time.

"Annualized Consolidated EBITDA" means, as of any date of determination, Consolidated EBITDA for the most recently completed Fiscal Quarter multiplied by four.

"Annualized Consolidated Revenues" means, as of any date of determination, Net Revenues for the most recently completed Fiscal Quarter multiplied by four.

"Applicable Commitment Fee Percentage" means 0.50% per annum.

"Applicable Margin" means (i) from the Closing Date until the end of Stage 1, (a) with respect to Loans that are Eurodollar Rate Loans, 4.25% per annum and (b) with respect to Loans that are Base Rate Loans, an amount equal to the Applicable Margin for Eurodollar Rate Loans as set forth in clause (i) (a) above, minus 1.00% per annum; provided that, on and after the Effective Date the interest rates otherwise applicable pursuant to this clause (i) shall be increased by 0.50% per annum; and (ii) during Stage 2, (a) with respect to the Loans that are Eurodollar Rate Loans, a percentage, per annum, determined by reference to the Total Leverage Ratio in effect from time to time as set forth below:

Total Leverage Ratio	Applicable Margin for Eurodollar Rate
* 6.0:1.00	4.25%
** 6.0:1.00	4.00%
* 4.5:1.00	
** 4.5:1.00	3.75%
* 3.0:1.00	
** 3.0:1.00	3.50%

and (b) with respect to Loans that are Base Rate Loans, an amount equal to the Applicable Margin for Eurodollar Rate Loans as set forth in clause (ii) (a) above minus 1.00% per annum. No change in the Applicable Margin contemplated by clause (ii) above shall be effective until three (3) Business Days after the date on which Administrative Agent shall have received the applicable financial statements and a Compliance Certificate pursuant to Section 5.1(d) calculating the Total Leverage Ratio. At any time Company has not submitted to Administrative Agent the applicable information as and when required under Section 5.1(d), the Applicable Margin shall be determined as if the Total Leverage Ratio were in excess of 6.00:1.00 until such time as Company has provided the information required under Section 5.1(d). Within one (1) Business Day of receipt of the applicable information as and when required under Section 5.1(d), Administrative Agent shall give each Lender telefacsimile or telephonic notice (confirmed in writing) of the Applicable Margin in effect from such date.

* = more than equals to

** = less than

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"Applicable Reserve Requirement" means, at any time, for any Eurodollar Rate Loan, the maximum rate, expressed as a decimal, at which reserves (including, without limitation, any basic marginal, special, supplemental, emergency or other reserves) are required to be maintained with respect thereto against "Eurocurrency liabilities" (as such term is defined in Regulation D) under regulations issued from time to time by the Board of Governors of the Federal Reserve System or other applicable banking regulator. Without limiting the effect of the foregoing, the Applicable Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which the applicable Adjusted Eurodollar Rate or any other interest rate of a Loan is to be determined, or (ii) any category of extensions of credit or other assets which include Eurodollar Rate Loans. A Eurodollar Rate Loan shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credit for proration, exceptions or offsets that may be available from time to time to the applicable Lender. The rate of interest on Eurodollar Rate Loans shall be adjusted automatically on and as of the effective date of any change in the Applicable Reserve Requirement.

"Asset Sale" means a sale, lease or sublease (as lessor or sublessor), sale and leaseback, assignment, conveyance, transfer or other disposition (any such transaction, a "Disposition") to, or any exchange of property with, any Person (other than Company or any Guarantor Subsidiary), in one transaction or a series of transactions, of all or any part of Company's or any of its Restricted Subsidiaries' businesses, assets or properties of any kind, whether real, personal, or mixed and whether tangible or intangible, whether now owned or hereafter acquired, including, without limitation, the Capital Stock of any of Company's Restricted Subsidiaries, other than (i)

inventory (or other assets) sold or leased in the ordinary course of business, (ii) disposals of obsolete, worn out or surplus property, (iii) Dispositions of other assets for aggregate consideration of less than \$50,000 with respect to any transaction or series of related transactions and less than \$250,000 in the aggregate during any Fiscal Year, (iv) sales of Cash Equivalents in the ordinary course of business, (v) Permitted Liens, and (vi) sale and leaseback transactions in connection with a Permitted Equipment Financing.

"Assignment Agreement" means an Assignment Agreement substantially in the form of Exhibit E, with such amendments or modifications as may be approved by Administrative Agent.

"Authorized Officer" means, as applied to any Person, any individual holding the position of chairman of the board (if an officer), chief executive officer, president and one of its vice presidents (or the equivalent thereof), or such Person's chief financial officer and treasurer.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as now and hereafter in effect, or any successor statute.

"Base Rate" means, for any day, a rate per annum equal to the greater of (i) the Prime Rate in effect on such day and (ii) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Base Rate due to a change in the Prime Rate or the Federal

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Funds Effective Rate shall be effective on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Base Rate Loan" means a Loan bearing interest at a rate determined by reference to the Base Rate.

"Basic Upkeep" has the meaning assigned in Section 6.4(b).

"Beneficiary" means each Agent, Lender and Lender Counterparty.

"Borrower" means (y) prior to the Effective Date (i) with respect to Loans (other than Purchase Money Loans) and related Obligations, OpCo and (ii) with respect to Purchase Money Loans and related Obligations, Company and (z) on and after the Effective Date, OpCo.

"Borrowing Base" means, at any time, 60% of Eligible Net PP&E. The Borrowing Base at any date shall be determined by reference to the Borrowing Base Certificate most recently delivered hereunder on or prior to such date as specified in Section 5.1(e).

"Borrowing Base Certificate" has the meaning specified in Section 5.1(e).

"Business Day" means (i) any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of New York or is a day on which banking institutions located in such state are authorized or required by law or other governmental action to close and (ii) with respect to all notices, determinations, fundings and payments in connection with the Adjusted Eurodollar Rate or any Eurodollar Rate Loans, the term "Business Day" shall mean any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"Capital Expenditure" means, for any period, the aggregate of all expenditures of any Person during such period that, in accordance with GAAP, are or should be included in "purchase of property and equipment" or similar items, including without limitation construction in progress, reflected in the statement of cash flows of such Person. Notwithstanding the foregoing, the term "Capital Expenditure" shall not include capital expenditures constituting (i) the reinvestment of Net Asset Sale Proceeds or Net Insurance/Condemnation Proceeds made in accordance with Sections 2.12(a) and (b), (ii) Permitted Acquisitions and (iii) that portion of any capital expenditure solely attributable to or deemed paid for through the issuance by Company of a warrant to purchase capital stock of Company.

"Capital Lease" means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee that, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including, without limitation, partnership interests and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing.

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"Cash" means money, currency or a credit balance in any demand or Deposit Account.

"Cash Equivalents" means, as at any date of determination, (i) marketable securities (a) issued or directly and unconditionally guaranteed as to interest and principal by the United States Government or (b) issued by any agency of the United States the obligations of which are backed by the full faith and credit of the United States, in each case maturing within one year after such date; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one year after such date and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P or at least P-1 from Moody's; (iii) commercial paper maturing no more than one year from the date of creation thereof and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P or at least P-1 from Moody's; (iv) certificates of deposit or bankers' acceptances maturing within one year after such date and issued or accepted by any Lender or by any

commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia that (a) is at least "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and (b) has Tier 1 capital (as defined in such regulations) of not less than \$100,000,000; (v) repurchase obligations of any Lender or of any commercial bank that is a member of the Federal Reserve System, is organized under the laws of the United States or any State thereof and has combined capital and surplus of at least \$1 billion having a term of not more than 90 days with respect to securities issued or fully guaranteed or insured by the Government of the United States and (vi) shares of any money market mutual fund that (a) has substantially all of its assets invested continuously in the types of investments referred to in clauses (i) and (ii) above, (b) has net assets of not less than \$500,000,000, and (c) has the highest rating obtainable from either S&P or Moody's or is operated by Goldman, Sachs & Co. or an Affiliate thereof.

"Certificate re Non-Bank Status" means a certificate substantially in the form of Exhibit F.

"Change of Control" means, at any time, (i) any Person or "group" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) other than the Founders (a) (x) shall have acquired beneficial ownership of 35% or more on a fully diluted basis of the voting and/or economic interest in the Capital Stock of Company and (y) the Founders own, in the aggregate, a lesser percentage of the total voting and/or economic interest in the Capital Stock of Company than such Person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors (or similar governing body) of Company or (b) shall have obtained the power (whether or not exercised) to elect a majority of the members of the board of directors (or similar governing body) of Company; (ii) the majority of the seats (other than vacant seats) on the board of directors (or similar governing body) of Company cease to be occupied by Persons who either (a) were members of the board of directors of Company on the Closing Date or (b) were nominated for election by the board of directors of Company, a majority of whom were directors on the Closing Date or whose election or nomination for election was previously approved by a majority of such directors; or (iii) any "change of control" or similar event under the Senior Note Indenture or any document evidencing any Permitted Equipment Financing or Permitted Unsecured Company Debt shall occur.

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"Class" means (i) with respect to Lenders, each of the following classes of Lenders, (a) Lenders having Tranche A Term Loan Exposure and (b) Lenders having Tranche B Term Loan Exposure and (ii) with respect to Loans, each of the following classes of Loans, (a) Tranche A Term Loans and (b) Tranche B Term Loans.

"Closing Date" means December 20, 2000, the date on which the conditions set forth in Section 3.1 of the Existing Credit Agreement were satisfied.

"Collateral" means, collectively, all of the real, personal and mixed property (including Capital Stock) in which Liens are purported to be granted pursuant to the Collateral Documents as security for the Obligations.

"Collateral Agent" as defined in the preamble hereto.

"Collateral Documents" means the Pledge and Security Agreement, the Mortgages, the Landlord Agreements and all other instruments, documents and agreements delivered by any Credit Party pursuant to this Agreement or any of the other Credit Documents in order to grant to Collateral Agent, for the benefit of Secured Parties, a Lien on any real, personal or mixed property of that Credit Party as security for the Obligations.

"Company" as defined in the preamble hereto.

"Complementary Business" means storage services, content distribution, network management, security services, monitoring, site management and similar related activities, in each case relating to the operation of Permitted IBX Facilities.

"Compliance Certificate" means a Compliance Certificate substantially in the form of Exhibit C.

"Consolidated Capital Expenditures" means, for any period, the aggregate of all Capital Expenditures of Company and its Restricted Subsidiaries during such period determined on a consolidated basis, in accordance with GAAP.

"Consolidated Cash Interest Expense" means, for any period, Consolidated Interest Expense for such period, excluding any amount not payable in Cash.

"Consolidated Current Assets" means, as at any date of determination, the total assets of Company and its Restricted Subsidiaries on a

consolidated basis that may properly be classified as current assets in conformity with GAAP, excluding Cash and Cash Equivalents.

"Consolidated Current Liabilities" means, as at any date of determination, the total liabilities of Company and its Restricted Subsidiaries on a consolidated basis that may properly be classified as current liabilities in conformity with GAAP, excluding the current portion of long term debt.

"Consolidated EBITDA" means, for any period, an amount determined for Company and its Restricted Subsidiaries on a consolidated basis equal to the sum, without duplication, of the amounts for such period of (a) Consolidated Net Income, (b) Consolidated

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Interest Expense, (c) provisions for taxes based on income, (d) total depreciation expense, (e) total amortization expense, and (f) other items reducing Consolidated Net Income set forth on Schedule 1.1(c), all of the foregoing as determined in conformity with GAAP.

"Consolidated Excess Cash Flow" means, for any period, an amount (if positive) equal to: (i) the sum, without duplication, of the amounts for such period of (a) Consolidated EBITDA, minus (b) the Consolidated Working Capital

Adjustment, minus (ii) the sum, without duplication, of the amounts for such period of (a) repayments of Consolidated Total Debt, (b) Consolidated Capital Expenditures (excluding any Capital Expenditures prohibited by Section 6.8) (net of (i) any proceeds of any related financings with respect to such expenditures, and (ii) any insurance and condemnation proceeds used to finance the replacement of destroyed or appropriated property), (c) Consolidated Cash Interest Expense; provided, that Consolidated Cash Interest Expense shall be deemed to include any savings realized by Company and its Restricted Subsidiaries attributable to interest deferrals and interest reductions in connection with the refinancing or exchange of any the Senior Notes, and (d) provisions for current taxes based on income of Company and its Restricted Subsidiaries and payable in cash with respect to such period, and (e) to the extent not otherwise deducted in determining Consolidated Excess Cash Flow, Cash consideration paid for Permitted Acquisitions and Investments permitted hereunder (in each case, net of any proceeds of related financings and issuances of Capital Stock incurred to finance such Permitted Acquisitions and Investments).

"Consolidated Interest Expense" means, for any period, total interest expense (including commitment fees and that portion attributable to Capital Leases in accordance with GAAP and capitalized interest) of Company and its Restricted Subsidiaries on a consolidated basis with respect to all outstanding Indebtedness of Company and its Restricted Subsidiaries, including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under Interest Rate Agreements, but excluding, however, any amounts referred to in Section 2.9 payable on or before the Closing Date and fees payable to Lenders pursuant to Section 3.1(j).

"Consolidated Net Income" means, for any period, (i) the net income (or loss) of Company and its Restricted Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP, minus (ii) (a) the income (or loss) of any Person (other than a Restricted

Subsidiary) in which any other Person (other than Company or any of its Restricted Subsidiaries) has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to Company or any of its Restricted Subsidiaries by such Person during such period, (b) the income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with Company or any of its Restricted Subsidiaries or that Person's assets are acquired by Company or any of its Restricted Subsidiaries, (c) the income of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary, (d) any after-tax gains or losses attributable to Asset Sales or returned surplus assets of any Pension Plan, and (e) (to the extent not included in clauses (a) through (d) above) any net extraordinary gains or net extraordinary losses.

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"Consolidated Senior Secured Debt" means, as at any time of determination, the aggregate stated balance sheet amount of all outstanding Indebtedness of Company and its Restricted Subsidiaries under (i) this Agreement, (ii) the Permitted Equipment Financings, (iii) any secured trade payables and (iv) Capital Leases.

"Consolidated Total Capitalization" means the sum of (a) Consolidated Total Debt and (b) paid-in-equity capital of Company or any of its Restricted Subsidiaries (including preferred stock but excluding (i) any additional equity issued as pay-in-kind dividends on issued and outstanding equity securities, (ii) any capital contributed by Company or any Restricted Subsidiary to any of the Unrestricted Subsidiaries and (iii) any accumulated deficits resulting from operations).

"Consolidated Total Debt" means, as at any date of determination, the aggregate stated balance sheet amount of all Indebtedness (without giving effect to any original issue discount) of Company and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Consolidated Working Capital" means, as at any date of determination, the excess of Consolidated Current Assets over Consolidated Current Liabilities.

"Consolidated Working Capital Adjustment" means, for any period on a consolidated basis, the amount (which may be a negative number) by which Consolidated Working Capital as of the end of such period exceeds (or is less than) Consolidated Working Capital as of the beginning of such period.

"Contractual Obligation" means, as applied to any Person, any provision of any Security issued by that Person or of any indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"Contributing Guarantors" as defined in Section 7.2.

"Conversion/Continuation Date" means the effective date of a continuation or conversion, as the case may be, as set forth in the applicable Conversion/Continuation Notice.

"Conversion/Continuation Notice" means a Conversion/Continuation Notice substantially in the form of Exhibit A-2.

"Counterpart Agreement" means a Counterpart Agreement substantially in the form of Exhibit H.

"Credit Date" means the date of a Credit Extension.

"Credit Document" means any of this Agreement, the Notes, if any, the Collateral Documents, and all other documents, instruments or agreements executed and delivered by a Credit Party for the benefit of the Agents, or any Lender in connection herewith, including Hedge Agreements with any Lender Counterparty, in each case, as may be amended, supplemented or otherwise modified from time to time.

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"Credit Extension" means the making of a Loan.

"Credit Party" means Company, OpCo and any of its Restricted Subsidiaries from time to time party to a Credit Document.

"Currency Agreement" means any foreign exchange contract, currency swap agreement, futures contract, option contract, synthetic cap or other similar agreement or arrangement, each of which is for the purpose of hedging the foreign currency risk associated with Company's and its Restricted Subsidiaries' operations.

"Default" means a condition or event that, after notice or lapse of time or both, would constitute an Event of Default.

"Default Excess" means, with respect to any Defaulting Lender, the excess, if any, of such Defaulting Lender's Pro Rata Share of the aggregate outstanding principal amount of Loans of all Lenders (calculated as if all Defaulting Lenders (other than such Defaulting Lender) had funded all of their respective Defaulted Loans) over the aggregate outstanding principal amount of all Loans of such Defaulting Lender.

"Default Period" as defined in Section 2.21.

"Defaulted Loan" as defined in Section 2.21.

"Defaulting Lender" as defined in Section 2.21.

"Delayed Draw Term Loan" has the meaning assigned to that term in the Existing Credit Agreement.

"Deposit Account" means a demand, time, savings, passbook or like account with a bank, savings and loan association, credit union or like organization, other than an account evidenced by a negotiable certificate of

deposit.

"Disposition" as defined within the definition Asset Sale.

"Disqualified Stock" means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder thereof), or upon the happening of any event, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to April 15, 2006; provided, however, that any Equity Interest that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Equity Interest upon the occurrence of a Change of Control or an Asset Sale shall not constitute Disqualified Stock if the terms of such Equity Interest provide that the Company may not repurchase or redeem such Equity Interest pursuant to such provisions unless such repurchase or redemption complies with Section 6.4 or (b) requires the payment of cash dividends or other payments to the holder thereon, unless through December 15, 2005 such cash dividends or other payments are only required to be paid and are only paid from the proceeds of the issuance of such Equity Interest and sums of such proceeds are at the time of such issuance placed in escrow for the purpose of making such

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payments sufficient to make such payments through such date and are at all times prior to such date sufficient therefor.

"Dollars" and the sign "\$" mean the lawful money of the United States of America.

"Domestic Subsidiary" means any Subsidiary organized under the laws of the United States of America, any State thereof or the District of Columbia.

"EBITDA Requirement" shall mean delivery to Lenders two Business Days prior to the proposed Credit Date of a certificate in the form of Exhibit O annexed hereto, together with the information referred to in such certificate, duly executed by an Authorized Officer of Company on or before November 30, 2002, confirming, that Consolidated EBITDA for any three month period ended August 31, September 30 or October 31, 2002 was not less than \$3,242,500.

"Effective Date" means the date on which the conditions to effectiveness set forth in Section 3.1 have been satisfied or waived by the appropriate Lenders.

"Effective Date Certificate" means a certificate in the form of Exhibit G annexed hereto dated as of the Effective Date and duly executed by an Authorized Officer of Company

"Effective Date Mortgage" means a mortgage substantially in the form of Exhibit J annexed hereto.

"Effective Date Mortgage Modification" means a modification to each Existing Mortgage for the purpose of including the Obligations under this Agreement as part of the obligations secured by such Existing Mortgage, and otherwise in form satisfactory to the Agents.

"Existing Mortgages" means the Mortgages granted on December 20, 2000 as security for the Obligations under the Existing Credit Agreement.

"Effective Date Financial Plan" as defined in Section 4.8.

"Effective Date Financial Statements" means as of the Effective Date, (i) the audited financial statements of Company and its Subsidiaries for Fiscal Year 2000, consisting of balance sheets and the related consolidated statements of income, stockholders' equity and cash flows for such Fiscal Year and (ii) the unaudited financial statements of Company and its Subsidiaries as of the Fiscal Quarter ending June 30, 2001, consisting of a balance sheet and the related consolidated statements of income and cash flows for the six-month period ending on such date, and, in the case of clauses (i) and (ii), certified by the chief financial officer of Company that they fairly present, in all material respects, the financial condition of Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments.

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"Eligible Assignee" means (i) any Lender, any Affiliate of any Lender and any Related Fund (any two or more Related Funds being treated as a single Eligible Assignee for all purposes hereof), and (ii) any commercial bank, financial institution, insurance company, investment or mutual fund or other entity that is an "accredited investor" (as defined in Regulation D under the Securities Act) and which extends credit or buys loans as one of its businesses;

provided, no Affiliate of Company shall be an Eligible Assignee.

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"Eligible Net PP&E" means, at any date of determination, an amount equal to (i) the aggregate cost of Company's and its Restricted Subsidiaries' assets located on a Permitted IBX Facility that may properly be classified, in conformity with GAAP, as property, plant and equipment reflected on the consolidated balance sheet of Company and its Restricted Subsidiaries, which in the case of any such property, plant and equipment located at Permitted IBX Facilities that are leased by Company or its Restricted Subsidiaries, is located at Permitted IBX Facilities with respect to which (x) a Credit Party has taken all such actions and executed and delivered, or caused to be executed and delivered, all such mortgages, documents, instruments, agreements, opinions and certificates described in Sections 3.1(e), 3.1(f), 3.1(g), and 3.1(h) or otherwise required hereunder to create in favor of Collateral Agent, for the benefit of the Secured Parties, the valid and perfected First Priority Liens referred to in such sections or (y) the underlying leasehold interest is held by OpCo or other Restricted Subsidiary and the Collateral Agent for the benefit of the Secured Parties has a First Priority security interest in all of the Capital Stock of OpCo or such other Restricted Subsidiary, as applicable, less (ii) the sum of (x) to the extent not otherwise deducted in determining Eligible Net PP&E the accumulated depreciation and any write-down or write-off with respect to such property, plant and equipment, as determined in conformity with GAAP, (y) to the extent not otherwise deducted in determining Eligible Net PP&E, the aggregate cost of any assets otherwise included in Eligible Net PP&E subject to security interests securing Permitted Equipment Financing, less the accumulated depreciation and any write-down or write-off with respect to the assets referenced in this clause (y), as determined in conformity with GAAP, and (z) that portion of the aggregate cost of any assets otherwise included in Eligible Net PP&E to the extent attributable to issuance by Company of warrants to purchase Capital Stock of Company.

"Employee Benefit Plan" means any "employee benefit plan" as defined in Section 3(3) of ERISA which is or was sponsored, maintained or contributed to by, or required to be contributed by, Company, any of its Subsidiaries or any of their respective ERISA Affiliates.

"Environmental Claim" means any investigation, notice, notice of violation, claim, action, suit, proceeding, demand, abatement order or other order or directive (conditional or otherwise), by any Governmental Authority or any other Person, arising (i) pursuant to or in connection with any actual or alleged violation of any Environmental Law; (ii) in connection with any Hazardous Material or any actual or alleged Hazardous Materials Activity; or (iii) in connection with any actual or alleged damage, injury, threat or harm to health, safety, natural resources or the environment.

"Environmental Laws" means any and all current or future foreign or domestic, federal or state (or any subdivision of either of them), statutes, ordinances, orders, rules, regulations, guidance documents, judgments, Governmental Authorizations, or any other requirements of Governmental Authorities relating to (i) environmental matters, including those

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relating to any Hazardous Materials Activity; (ii) the generation, use, storage, transportation or disposal of Hazardous Materials; or (iii) occupational safety and health, industrial hygiene, land use or the protection of human, plant or animal health or welfare, in any manner applicable to Company or any of its Subsidiaries or any Facility.

"Equity Interests" means Capital Stock of Company and all warrants, options or other rights to acquire Capital Stock of Company (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock of Company).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor thereto.

"ERISA Affiliate" means, as applied to any Person, (i) any corporation which is a member of a controlled group of corporations within the meaning of Section 414(b) of the Internal Revenue Code of which that Person is a member; (ii) any trade or business (whether or not incorporated) which is a member of a group of trades or businesses under common control within the meaning of Section 414(c) of the Internal Revenue Code of which that Person is a member; and (iii) any member of an affiliated service group within the meaning of Section 414(m) or (o) of the Internal Revenue Code of which that Person, any corporation described in clause (i) above or any trade or business described in clause (ii) above is a member. Any former ERISA Affiliate of Company or any of its Subsidiaries shall continue to be considered an ERISA Affiliate of Company or any such Subsidiary within the meaning of this definition with respect to the period such entity was an ERISA Affiliate of Company or such Subsidiary and with respect to liabilities arising after such period for which Company or such Subsidiary could be liable under the Internal Revenue Code or ERISA.

"ERISA Event" means (i) a "reportable event" within the meaning of Section 4043 of ERISA and the regulations issued thereunder with respect to any Pension Plan (excluding those for which the provision for 30-day notice to the PBGC has been waived by regulation); (ii) the failure to meet the minimum funding standard of Section 412 of the Internal Revenue Code with respect to any Pension Plan (whether or not waived in accordance with Section 412(d) of the Internal Revenue Code) or the failure to make by its due date a required installment under Section 412(m) of the Internal Revenue Code with respect to any Pension Plan or the failure to make any required contribution to a Multiemployer Plan; (iii) the provision by the administrator of any Pension Plan pursuant to Section 4041(a)(2) of ERISA of a notice of intent to terminate such plan in a distress termination described in Section 4041(c) of ERISA; (iv) the withdrawal by Company, any of its Subsidiaries or any of their respective ERISA Affiliates from any Pension Plan with two or more contributing sponsors or the termination of any such Pension Plan resulting in liability pursuant to Section 4063 or 4064 of ERISA; (v) the institution by the PBGC of proceedings to terminate any Pension Plan, or the occurrence of any event or condition which might constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (vi) the imposition of liability on Company, any of its Subsidiaries or any of their respective ERISA Affiliates pursuant to Section 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA; (vii) the withdrawal of Company, any of its Subsidiaries or any of their respective ERISA Affiliates in a complete or partial withdrawal (within the meaning of Sections 4203 and 4205 of ERISA) from any Multiemployer Plan if there is any potential liability therefor, or the receipt by

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Company, any of its Subsidiaries or any of their respective ERISA Affiliates of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA, or that it intends to terminate or has terminated under Section 4041A or 4042 of ERISA; (viii) the occurrence of an act or omission which could give rise to the imposition on Company, any of its Subsidiaries or any of their respective ERISA Affiliates of fines, penalties, taxes or related charges under Chapter 43 of the Internal Revenue Code or under Section 409, Section 502(c), (i) or (l), or Section 4071 of ERISA in respect of any Employee Benefit Plan; (ix) the assertion of a material claim (other than routine claims for benefits) against any Employee Benefit Plan other than a Multiemployer Plan or the assets thereof, or against Company, any of its Subsidiaries or any of their respective ERISA Affiliates in connection with any Employee Benefit Plan; (x) receipt from the Internal Revenue Service of notice of the failure of any Pension Plan (or any other Employee Benefit Plan intended to be qualified under Section 401(a) of the Internal Revenue Code) to qualify under Section 401(a) of the Internal Revenue Code, or the failure of any trust forming part of any Pension Plan to qualify for exemption from taxation under Section 501(a) of the Internal Revenue Code; or (xi) the imposition of a Lien pursuant to Section 401(a)(29) or 412(n) of the Internal Revenue Code or pursuant to ERISA with respect to any Pension Plan.

"Eurodollar Rate Loan" means a Loan bearing interest at a rate determined by reference to the Adjusted Eurodollar Rate.

"Event of Default" means each of the conditions or events set forth in Section 8.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute.

"Existing Indebtedness" means the Indebtedness listed on Schedule 6.1.

"Existing Credit Agreement" means that certain Credit and Guaranty Agreement dated as of December 20, 2000 by and among the Credit Parties, Agents and Lenders, as amended prior to the Effective Date.

"Existing Loans" means Loans outstanding under the Existing Credit Agreement immediately prior to satisfaction and/or waiver of the conditions to effectiveness set forth in Section 3.1 of this Agreement.

"Facility" means any real property (including all buildings, fixtures or other improvements located thereon) now, hereafter or heretofore owned, leased, operated or used by Company or any of its Subsidiaries or any of their respective predecessors or Affiliates.

"Fair Share" as defined in Section 7.2.

"Fair Share Contribution Amount" as defined in Section 7.2.

"Fair Share Shortfall" as defined in Section 7.2.

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"Federal Funds Effective Rate" means for any day, the rate per annum (expressed, as a decimal, rounded upwards, if necessary, to the next higher 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to Administrative Agent, in its capacity as a Lender, on such day on such transactions as determined by Administrative Agent.

"Financial Officer Certification" means, with respect to the financial statements for which such certification is required, the certification of the chief financial officer of Company that such financial statements fairly present, in all material respects, the financial condition of Company and its Subsidiaries as at the dates indicated and the results of their operations and their cash flows for the periods indicated, subject to changes resulting from audit and normal year-end adjustments.

"Financial Plan" as defined in Section 5.1(k).

"First Priority" means, with respect to any Lien purported to be created in any Collateral pursuant to any Collateral Document, that such Lien is the only Lien to which such Collateral is subject, other than Permitted Liens.

"Fiscal Quarter" means a fiscal quarter of any Fiscal Year.

"Fiscal Year" means the fiscal year of Company and its Subsidiaries ending on December 31st of each calendar year.

"Flood Hazard Property" means any Real Estate Asset subject to a mortgage in favor of the Collateral Agent, for the benefit of the Secured Parties, and located in an area designated by the Federal Emergency Management Agency as having special flood or mud slide hazards.

"Foreign Subsidiary" means, with respect to any Person, any Subsidiary that is not a Domestic Subsidiary.

"Founders" means Benchmark Capital Partners II, L.P., Cisco Systems, Inc., Microsoft Corporation, News Corp., Albert M. Avery, IV, Jay S. Adelson and their respective Related Persons.

"Funding Date" as defined in the preamble.

"Funding Default" as defined in Section 2.21.

"Funding Guarantors" as defined in Section 7.2.

"Funding Notice" means a notice substantially in the form of Exhibit A-1.

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"GAAP" means, subject to the limitations on the application thereof set forth in Section 1.2, United States generally accepted accounting principles in effect as of the date of determination thereof.

"Governmental Acts" means any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.

"Governmental Authority" means any federal, state, municipal, national or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the United States, or a foreign entity or government.

"Governmental Authorization" means any permit, license, authorization, plan, directive, consent order or consent decree of or from any Governmental Authority.

"Grantor" as defined in the Pledge and Security Agreement.

"GSCP" as defined in the preamble hereto.

"Guaranteed Obligations" as defined in Section 7.1.

"Guarantor" means Company and each Domestic Subsidiary of Company that is a Restricted Subsidiary other than OpCo.

"Guarantor Subsidiary" means each Guarantor other than Company.

"Guaranty" means the guaranty of each Guarantor set forth in Section

7.

"Hazardous Materials" means any chemical, material or substance, exposure to which is prohibited, limited or regulated by any Governmental Authority or which may or could pose a hazard to the health and safety of the owners, occupants or any Persons in the vicinity of any Facility or to the indoor or outdoor environment.

"Hazardous Materials Activity" means any past, current, proposed or threatened activity, event or occurrence involving any Hazardous Materials, including the use, manufacture, possession, storage, holding, presence, existence, location, Release, threatened Release, discharge, placement, generation, transportation, processing, construction, treatment, abatement, removal, remediation, disposal, disposition or handling of any Hazardous Materials, and any corrective action or response action with respect to any of the foregoing.

"Hedge Agreement" means an Interest Rate Agreement or a Currency Agreement entered into with a Lender Counterparty in order to satisfy the requirements of this Agreement or otherwise in the ordinary course of Company's or any of its Subsidiaries' businesses and not for speculative purposes.

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"Highest Lawful Rate" means the maximum lawful interest rate, if any, that at any time or from time to time may be contracted for, charged, or received under the laws applicable to any Lender which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow.

"IBX Facilities" means Internet Business Exchange facilities, including, without limitation, the Permitted IBX Facilities, which are designed, developed (or acquired by) and operated by Company or one of its Restricted Subsidiaries for the purpose of providing Internet access, colocation services, telecommunications access, mechanical and power systems and operations and customer service and support and is either owned in fee by Company or one of its Restricted Subsidiaries or operated under a distinct long term lease agreement between Company or one of its Restricted Subsidiaries and a landlord.

"Increased-Cost Lender" as defined in Section 2.22.

"Indebtedness", as applied to any Person, means, without duplication, (i) all indebtedness for borrowed money; (ii) that portion of obligations with respect to Capital Leases that is properly classified as a liability on a balance sheet in conformity with GAAP; (iii) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money; (iv) any obligation owed for all or any part of the deferred purchase price of property or services (excluding any such obligations incurred under ERISA and ordinary course trade payables), which purchase price is (a) due more than six months from the date of incurrence of the obligation in respect thereof or (b) evidenced by a note or similar written instrument; (v) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person; (vi) the greater of the face amount of any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings and the maximum amount for which such Person may otherwise be liable under such letters of credit; (vii) the direct or indirect guaranty, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another; (viii) any obligation of such Person the primary purpose or intent of which is to provide assurance to an obligee that the obligation of the obligor thereof will be paid or discharged, or any agreement relating thereto will be complied with, or the holders thereof will be protected (in whole or in part) against loss in respect thereof; (ix) any liability of such Person for the obligation of another through any agreement (contingent or otherwise) (a) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (b) to maintain the solvency or any balance sheet item, level of income or financial condition of another if, in the case of any agreement described under subclauses (a) or (b) of this clause (ix), the primary purpose or intent thereof is as described in clause (viii) above; and (x) obligations of such Person in respect of any exchange traded or over the counter derivative transaction, including, without limitation, any Interest Rate Agreement or Currency Agreement, whether entered into for hedging or speculative purposes; provided, in no event shall

obligations under any Interest Rate Agreement or any Currency Agreement be

"Indemnified Liabilities" means, collectively, any and all liabilities, obligations, losses, damages (including natural resource damages), penalties, actions, judgments, suits, claims (including Environmental Claims), costs (including the costs of any investigation, study, sampling, testing, abatement, cleanup, removal, remediation or other response action necessary to remove, remediate, clean up or abate any Hazardous Materials Activity), expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened by any Person, whether or not any such indemnities shall be designated as a party or a potential party thereto, and any fees or expenses incurred by indemnities in enforcing this indemnity), whether direct, indirect or consequential and whether based on any federal, state or foreign laws, statutes, rules or regulations (including securities and commercial laws, statutes, rules or regulations and Environmental Laws), on common law or equitable cause or on contract or otherwise, that may be imposed on, incurred by, or asserted against any such indemnities, in any manner relating to or arising out of (i) this Agreement (which for the avoidance of doubt shall include the Existing Credit Agreement) or the other Credit Documents or the transactions contemplated hereby or thereby (including (i) all prior negotiations and prior acts of Lenders in connection therewith and (ii) Lenders' agreement to make Credit Extensions or the use or intended use of the proceeds thereof, or any enforcement of any of the Credit Documents (including any sale of, collection from, or other realization upon any of the Collateral or the enforcement of the Guaranty)); (ii) the statements contained in the commitment letter delivered by any Lender to Company with respect to the transactions contemplated by this Agreement; or (iii) any Environmental Claim or any Hazardous Materials Activity relating to or arising from, directly or indirectly, any past or present activity, operation, land ownership, or practice of Company or any of its Subsidiaries.

"Indemnitees" as defined in Section 10.3.

"Intellectual Property" as defined in the Pledge and Security Agreement.

"Intellectual Property Collateral" means all of the Intellectual Property subject to the Lien of the Pledge and Security Agreement.

"Interest Coverage Ratio" means the ratio, as of the last day of any Fiscal Quarter, of (i) Annualized Consolidated EBITDA for the Fiscal Quarter then ended, to (ii) Consolidated Cash Interest Expense for the four-Fiscal Quarter period then ended.

"Interest Payment Date" means with respect to (i) any Base Rate Loan, the last day of each month commencing on the first such date to occur after the Effective Date, the date of repayment or prepayment of any portion of such Loan and the Maturity Date; and (ii) any Eurodollar Rate Loan, the last day of each month, the last day of each Interest Period applicable to such Loan, the date of repayment or prepayment of any portion of such Loan and the Maturity Date.

"Interest Period" means, in connection with a Eurodollar Rate Loan, an interest period of one, two, or three months, as selected by the Borrower in the applicable Funding Notice or Conversion/Continuation Notice, (i) initially, commencing on the Credit Date or Conversion/Continuation Date thereof, as the case may be; and (ii) thereafter, commencing on

the day on which the immediately preceding Interest Period expires; provided, (a) if an Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day unless no further Business Day occurs in such month, in which case such Interest Period shall expire on the immediately preceding Business Day; (b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c), of this definition, end on the last Business Day of a calendar month; and (c) no Interest Period with respect to any portion of any Tranche A Term Loans, or Tranche B Term Loans, as the case may be, shall extend beyond the Maturity Date.

"Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedging agreement or other similar agreement or arrangement, each of which is for the purpose of hedging the interest rate exposure associated with Company's and its Restricted Subsidiaries' operations.

"Interest Rate Determination Date" means, with respect to any Interest Period, the date that is two (2) Business Days prior to the first day

of such Interest Period.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended to the date hereof and from time to time hereafter, and any successor statute.

"International Holdings" means Equinix Europe, Inc., a Delaware corporation (and/or one or more additional Delaware corporations wholly-owned by Company) that owns, directly or indirectly, all (other than director's qualifying shares) of the Capital Stock of all Foreign Subsidiaries that are Unrestricted Subsidiaries.

"Investment" means (i) any direct or indirect purchase or other acquisition by Company or any of its Restricted Subsidiaries of, or of a beneficial interest in, any of the Securities of any other Person (other than by Company or any wholly-owned Guarantor Subsidiary with respect to any wholly-owned Guarantor Subsidiary); (ii) any direct or indirect redemption, retirement, purchase or other acquisition for value, by any Restricted Subsidiary of Company from any Person (other than Company or any wholly-owned Guarantor Subsidiary), of any Capital Stock of such Restricted Subsidiary; and (iii) any direct or indirect loan, advance (other than advances to employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contribution by Company or any of its Restricted Subsidiaries to any other Person (other than by Company or any wholly-owned Guarantor Subsidiary to any wholly-owned Guarantor Subsidiary), including all indebtedness and accounts receivable from that other Person that are not current assets or did not arise from sales to that other Person in the ordinary course of business. The amount of any Investment shall be the original cost of such Investment plus the cost of all additions thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment.

"Investment Related Property" as defined in the Pledge and Security Agreement.

"Joint Lead Arrangers" as defined in the preamble hereto.

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"Joint Book Runners" as defined in the preamble hereto.

"Joint Venture" means a joint venture, partnership or other similar arrangement, whether in corporate, partnership, limited liability company, or other legal form; provided, in no event shall any corporate Subsidiary of any Person be considered to be a Joint Venture to which such Person is a party.

"Landlord Agreement" means an agreement duly executed by the landlord of any Leasehold Property substantially in the form of Exhibit K with such amendments or modifications as may be approved by Collateral Agent and its counsel.

"Leasehold Property" means any leasehold interest (other than San Jose Ground Lease) of Company or any of its Restricted Subsidiaries as lessee under any lease of real property, other than any such leasehold interest designated from time to time by Collateral Agent in its sole discretion as not being required to be included in the Collateral.

"Lender" means each financial institution that became a Lender under this Agreement as of the Closing Date, together with each such institution's successors and permitted assigns.

"Lender Counterparty" means each Lender or any Affiliate of a Lender Counterparty to a Hedge Agreement, including, without limitation, each such Affiliate that enters into a joinder agreement with the Collateral Agent.

"Lien" means (i) any lien, claim, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease in the nature thereof) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing and (ii) in the case of Securities, any purchase option, call or similar right of a third party with respect to such Securities.

"Loan" means (y) prior to the Effective Date, any Term Loan, Delayed Draw Term Loan, Revolving Loan or Purchase Money Loan outstanding pursuant to the Existing Credit Agreement and (z) on and after the Effective Date, a Tranche A Term Loan or a Tranche B Term Loan.

"Margin Stock" as defined in Regulation T, U or X of the Board of Governors of the Federal Reserve System as in effect from time to time.

"Material Adverse Effect" means a material adverse effect on (i) the business, operations, properties, assets, condition (financial or otherwise) or prospects (with respect to prospects only, based upon the Effective Date

Financial Plan) of Company and its Restricted Subsidiaries taken as a whole; (ii) the ability of any Credit Party to fully and timely perform the Obligations; (iii) the legality, validity, binding effect or enforceability against a Credit Party of a Credit Document to which it is a party; (iv) the rights, remedies and benefits available to, or conferred upon, any Agent and any Lender under any Credit Document; or (v) the Collateral Agent's Liens, on behalf of Secured Parties, on the Collateral or the priority of such Liens.

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"Material Contract" means any contract or other arrangement to which Company or any of its Restricted Subsidiaries is a party (other than the Credit Documents) for which breach, nonperformance, cancellation or failure to renew could reasonably be expected to have a Material Adverse Effect including, without limitation, those contracts listed on Schedule 4.17(a).

"Material Real Estate Asset" means (i) (a) any fee-owned Real Estate Asset located in the United States or Canada having a fair market value in excess of \$250,000 as of the date of the acquisition thereof, (b) any Leasehold Property which is a IBX Facility to the extent the failure to comply with Section 5.10 with respect thereto would cause the Collateral Agent to have at any time a perfected First Priority Lien on less than all of the IBX Facilities listed on Schedule 3.1(e) (B) of all Leasehold Properties which are IBX

Facilities and (c) all Leasehold Properties which are not IBX Facilities (other than the San Jose Ground Lease and existing headquarter buildings) other than those with respect to which the aggregate payments under the term of the lease are less than \$100,000 per annum or (ii) any Real Estate Asset (other than the San Jose Ground Lease and existing headquarters) located in the United States or Canada that the Requisite Lenders have determined is material to the business, operations, properties, assets, condition (financial or otherwise) or prospects of Company or any Restricted Subsidiary thereof taken as a whole.

"Maturity Date" means the earlier of (i) December 15, 2005 and (ii) the date on which Loans shall become due and payable, whether by acceleration or otherwise.

"Moody's" means Moody's Investor Services, Inc.

"Mortgage" means, collectively, the Existing Mortgages, as modified by the Effective Date Mortgage Modifications, and the Effective Date Mortgages, together with any amendments, restatements, supplements or other modifications entered into from time to time in accordance herewith.

"Multiemployer Plan" means any Employee Benefit Plan which is a "multiemployer plan" as defined in Section 3(37) of ERISA.

"NAIC" means The National Association of Insurance Commissioners, and any successor thereto.

"Narrative Report" means, with respect to the financial statements for which such narrative report is required, a narrative report describing the operations of Company and its Restricted Subsidiaries in the form prepared for presentation to senior management thereof for the Fiscal Quarter or Fiscal Year and for the period from the beginning of the then current Fiscal Year to the end of such period to which such financial statements relate.

"Net Asset Sale Proceeds" means, with respect to any Asset Sale, an amount equal to: (i) Cash payments (including any Cash received by way of deferred payment pursuant to, or by monetization of, a note receivable or as a result of the release of any amounts subject to any reserve described in clause (c) below or otherwise, but only as and when so received) received by Company or any of its Restricted Subsidiaries from such Asset Sale, minus (ii) any bona fide direct costs incurred in connection with such Asset Sale, including (a) income or gains

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taxes payable by the seller as a result of any gain recognized in connection with such Asset Sale, (b) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than the Loans) that is secured by a Lien on the stock or assets in question and that is required to be repaid under the terms thereof as a result of such Asset Sale, (c) attorneys' fees, accountants' fees, investment banking fees and other customary costs, fees and expenses and commissions actually incurred in connection therewith, and (d) a reasonable reserve for any indemnification payments (fixed or contingent) attributable to seller's indemnities and representations and warranties to purchaser in respect of such Asset Sale undertaken by Company or any of its Restricted Subsidiaries in connection with such Asset Sale.

"Net Insurance/Condemnation Proceeds" means an amount equal to: (i)

any Cash payments or proceeds received by Company or any of its Restricted Subsidiaries (a) under any casualty insurance policy in respect of a covered loss thereunder or (b) as a result of the taking of any assets of Company or any of its Restricted Subsidiaries by any Person pursuant to the power of eminent domain, condemnation or otherwise, or pursuant to a sale of any such assets to a purchaser with such power under threat of such a taking, minus (ii) (a) any

actual and reasonable costs incurred by Company or any of its Restricted Subsidiaries in connection with the adjustment or settlement of any claims of Company or such Subsidiary in respect thereof, and (b) any bona fide direct costs incurred in connection with any sale of such assets as referred to in clause (i)(b) of this definition, including (1) income or gains taxes payable by the seller as a result of any gain recognized in connection with the foregoing, (2) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than the Loans) that is secured by a Lien on the stock or assets in question and that is required to be repaid under the terms thereof as a result of any sale of such assets, (3) attorneys' fees, accountants' fees, investment banking fees and other customary costs, fees and expenses and commissions actually incurred in connection therewith, and (4) a reasonable reserve for any indemnification payments (fixed or contingent) attributable to seller's indemnities and representations and warranties to purchaser in respect of such asset sale undertaken by Company or any of its Restricted Subsidiaries in connection with such asset sale.

"Net Revenues" means, for any period, the net revenues of Company and its Restricted Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP (it being understood that, in any event such net revenue shall be net of sales charges and discounts).

"Non-Consenting Lender" as defined in Section 2.22.

"Non-US Lender" as defined in Section 2.19(c).

"Note" means a Tranche A Term Loan Note, or a Tranche B Term Loan Note.

"Notice" means a Funding Notice, an Issuance Notice, or a Conversion/Continuation Notice.

"Obligations" means all obligations of every nature of each Credit Party from time to time owed to the Agents, the Lenders or any of them or their respective Affiliates (including, without limitation, all former Agents, Lenders or Lender Counterparties), under any

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Credit Document (including, without limitation, with respect to a Hedge Agreement, net obligations owed thereunder to any person who was a Lender or an Affiliate of a Lender at the time such Hedge Agreement was entered into and, with respect to any period prior to the Effective Date, any obligations under the Existing Credit Agreement), whether for principal, interest (including interest which, but for the filing of a petition in bankruptcy with respect to such Credit Party, would have accrued on any Obligation, whether or not a claim is allowed against such Credit Party for such interest in the related bankruptcy proceeding), payments for early termination of Hedge Agreements, fees, expenses, indemnification or otherwise.

"Obligee Guarantor" as defined in Section 7.7.

"Organizational Documents" means (i) with respect to any corporation, its certificate or articles of incorporation, as amended, and its by-laws, as amended, (ii) with respect to any limited partnership, its certificate of limited partnership, as amended, and its partnership agreement, as amended, (iii) with respect to any general partnership, its partnership agreement, as amended, and (iv) with respect to any limited liability company, its certificate of formation or articles of organization, as amended, and its operating agreement, as amended. In the event any term or condition of this Agreement or any other Credit Document requires any Organizational Document to

be certified by a secretary of state or similar governmental official, the reference to any such "Organizational Document" shall only be to a document of a type customarily certified by such governmental official.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"Pension Plan" means any Employee Benefit Plan, other than a Multiemployer Plan, which is subject to Section 412 of the Internal Revenue Code or Section 302 of ERISA.

"Permitted Acquisition" means any acquisition whether by purchase, merger or otherwise, of all or substantially all of the assets of, all of the Capital Stock of, or a business line or unit or a division of, any Person;

provided,
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(i) immediately prior to, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(ii) all transactions in connection therewith shall be consummated in accordance with all applicable laws and in conformity with all applicable Governmental Authorizations;

(iii) in the case of the acquisition of Capital Stock, all of the Capital Stock (except for any such Securities in the nature of directors' qualifying shares required pursuant to applicable law) issued by such Person or any newly formed Restricted Subsidiary of Company in connection with such acquisition shall be owned by Company or a Guarantor Subsidiary thereof, and Company shall have taken, or caused to be taken, as of the date such Person becomes a Subsidiary of Company, each of the actions set forth in Sections 5.9 and/or 5.10, as applicable;

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(iv) whether the consideration paid in such acquisition is cash or stock, Company shall deliver to Agents and Joint Lead Arrangers a Financial Officer's Certificate demonstrating (to the reasonable satisfaction of Joint Lead Arrangers and Agents) that Company and its Restricted Subsidiaries shall be in compliance, as of the first day of the most recently ended Fiscal Quarter and after giving pro forma effect on a going-forward basis through December 15, 2005 to such acquisition with the covenants contained in this Agreement;

(v) Company shall have delivered to the Joint Lead Arrangers and Agents (A) at least ten (10) Business Days prior to such proposed acquisition, a Compliance Certificate evidencing compliance with Sections 6.6, 6.7 or 6.8, as applicable, as required under clause (iv) above, together with all relevant financial information with respect to such acquired assets, including, without limitation, the aggregate consideration for such acquisition and any other information required to demonstrate compliance with Sections 6.6, 6.7 or 6.8, as applicable;

(vi) any Person or assets or division as acquired in accordance herewith shall be in the same business or lines of business in which Company and/or its Subsidiaries are engaged as of the Closing Date, a Complementary Business, an IBX Facility or such other lines of business as may be consented to by Requisite Lenders;

(vii) any Person or assets or division as acquired in accordance herewith shall be acquired by OpCo; and

(viii) Company shall have satisfied the other requirements set forth in Section 6.9(d).

"Permitted Equipment Financing" means (A) the secured equipment financing facilities listed, and designated as such, on Schedule 6.1 as of Effective Date and (B) one or more purchase money, vendor or other equipment financing facilities or leases (i) in an aggregate principal amount not in excess of \$15,000,000 outstanding at any time, (ii) pursuant to which Company may be advanced funds principally to purchase or lease IBX Facility equipment or headquarters equipment or services and to pay the costs of the engineering, construction, installation, importation, development and improvement of such equipment incurred after the Effective Date, (iii) which may be secured only by the assets being financed directly with the proceeds of such financing and with respect to which no Restricted Subsidiary of Company is obligated (it being understood that equipment acquired no earlier than ninety (90) days prior to the incurrence of such Permitted Equipment Financing may be determined to be financed with the proceeds thereof); provided, such equipment was acquired and

installed after the Effective Date and (iv) with respect to which no scheduled repayments or prepayments of principal are required; provided, that with respect

to no more than \$5,000,000 aggregate principal amount of Permitted Equipment Financing (excluding those Permitted Equipment Financings listed on Schedule 6.1), equal monthly repayments of principal may be made for a three year period commencing no earlier than June 30, 2002.

"Permitted IBX Facilities" means those IBX Facilities listed on Schedule 1.1(a) or acquired after the Effective Date pursuant to a Permitted Acquisition with respect to which

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development has commenced on or before the Effective Date and IBX Facilities, if

any, acquired pursuant to a Permitted Acquisition (i) owned or leased by Company on the Effective Date or (ii) owned or leased by OpCo or a wholly-owned Domestic Subsidiary of OpCo on or after the Effective Date, in each case having substantially those characteristics contemplated in the Effective Date Financial Plan.

"Permitted Liens" means each of the Liens permitted pursuant to Section 6.2.

"Permitted Unsecured Company Debt" means Indebtedness of Company that (i) is unsecured, (ii) is not guaranteed by any Person, (iii) is used solely to provide a portion of the consideration paid in connection with a Permitted Acquisition, (iv) is no less favorable for Company or the Lenders than the Senior Notes in any material respect (as determined by the Agents and Joint Lead Arrangers), (v) is subordinated in right of payment in full of the Obligations pursuant to the terms reasonably acceptable to the Agents and Joint Lead Arrangers, (vi) any interest payable thereon shall accrue and be payable

in-kind until after the Maturity Date and (vii) does not provide for any scheduled prepayment or repayment of all or any portion of the principal thereof until after the Maturity Date.

"Person" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, Joint Ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and Governmental Authorities.

"Pledge and Security Agreement" means the Amended and Restated Pledge and Security Agreements in the form of Exhibit I as it may be amended, supplemented or otherwise modified from time to time by Company, the Borrower and/or each Guarantor.

"Prime Rate" means the rate of interest per annum that the Administrative Agent announces from time to time as its prime lending rate, as in effect from time to time. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. The Administrative Agent or any other Lender may make commercial loans or other loans at rates of interest at, above or below the Prime Rate.

"Principal Office" means, the Administrative Agent's "Principal Office" as set forth on Appendix B, or such other office as Administrative Agent may from time to time designate in writing to the Borrower and each Lender.

"Pro Forma Consolidated Debt Service" means, as of any date of determination, the sum, without duplication, of (i) Consolidated Cash Interest Expense and (ii) all scheduled amortization (including any payment or prepayment of principal of, premium, if any, or interest on, or redemption, purchase, retirement, defeasance (including in-substance or legal defeasance), sinking fund or similar payment) in respect of Indebtedness, in each case payable by Company and its Restricted Subsidiaries during the immediately succeeding four Fiscal Quarters assuming, for purposes of calculating Consolidated Cash Interest Expense for any such succeeding four Fiscal Quarter period, Indebtedness outstanding as of the date of such calculation shall remain outstanding during such four Fiscal Quarter period (except to the extent

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of any scheduled amortization, redemption, retirement or similar payment scheduled during such four Fiscal Quarter period) and that the average interest rate applicable to outstanding Indebtedness of the Credit Parties as of the date of such calculation applies with respect to Indebtedness outstanding during such four Fiscal Quarter period.

"Pro Forma Debt Service Coverage Ratio" means the ratio as of the last day of any Fiscal Quarter of (i) Annualized Consolidated EBITDA for the Fiscal Quarter then ended to (ii) Pro Forma Consolidated Debt Service, in each case as set forth in the most recent Compliance Certificate delivered by Company to Administrative Agent pursuant to Section 5.1(d).

"Pro Rata Share" means (i) with respect to all payments, computations and other matters relating to the Tranche A Term Loan of any Lender, the percentage obtained by dividing (x) the Tranche A Term Loan Exposure of that Lender by (y) the aggregate Tranche A Term Loan Exposure of all Lenders; (ii) with respect to all payments, computations and other matters relating to the Tranche B Term Loans of any Lender, the percentage obtained by dividing (x) the Tranche B Term Loan Exposure of that Lender by (y) the aggregate Tranche B Term Loan Exposure of all Lenders; and (iii) for all other purposes with respect to each Lender, the percentage obtained by dividing (x) the sum of the Tranche A Term Loan Exposure of that Lender plus the Tranche B Loan Exposure of that

Lender by (y) the sum of the aggregate Tranche A Exposure of all Lenders plus

the sum of the aggregate Tranche B Term Loan Exposure of all Lenders, in any

such case as the applicable percentage may be adjusted by assignments permitted pursuant to Section 10.6. The Pro Rata Share of each Lender as of the Effective Date for purposes of each of clauses B(i) and (ii) of the preceding sentence is set forth opposite the name of that Lender in Appendices A-2 and A-3, respectively; provided, however, that with respect to any determinations during

any relevant period prior to the Effective Date, "Pro Rata Share" shall have the meaning assigned to that term in the Existing Credit Agreement; and provided,

further, that for purposes of determining payments, computations and other

matters related to applicable interest rates, the foregoing determinations shall give affect to the allocation of Tranche A Term Loans among the Sub-Tranches.

"Purchase Money Loans" has the meaning assigned to that term in the Existing Credit Agreement.

"Qualifying Equity" means any Equity Interest other than Disqualified Stock issued by Company after the Effective Date.

"Real Estate Asset" means, at any time of determination, any interest (fee, leasehold or otherwise) then owned by any Credit Party in any real property.

"Record Document" means, with respect to any Leasehold Property, (i) the lease evidencing such Leasehold Property or a memorandum thereof, executed and acknowledged by the owner of the affected real property, as lessor, or (ii) if such Leasehold Property was acquired or subleased from the holder of a Recorded Leasehold Interest, the applicable assignment or sublease document, executed and acknowledged by such holder, in each case in form sufficient to give such constructive notice upon recordation and otherwise in form reasonably satisfactory to Collateral Agent.

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"Recorded Leasehold Interest" means a Leasehold Property with respect to which a Record Document has been recorded in all places necessary or desirable, in Administrative Agent's reasonable judgment, to give constructive notice of such Leasehold Property to third-party purchasers and encumbrancers of the affected real property.

"Register" as defined in Section 2.5(b).

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Related Fund" means, with respect to any Lender that is an investment fund, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Related Person" means any Person who controls, is controlled by or is under common control with a Founder; provided that for purposes of this

definition "control" means the beneficial ownership of more than 50% of the total voting power of a Person normally entitled to vote in the election of directors, managers or trustees, as applicable, of a Person; provided, further,

that with respect to any natural Person, each member of such Person's immediate family shall be deemed to be a Related Person of such Person.

"Release" means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration of any Hazardous Material into the indoor or outdoor environment (including the abandonment or disposal of any barrels, containers or other closed receptacles containing any Hazardous Material), including the movement of any Hazardous Material through the air, soil, surface water or groundwater.

"Replacement Lender" as defined in Section 2.22.

"Requisite Class Lenders" means, at any time of determination (i) for the Class of Lenders having Tranche A Term Loan Exposure, Lenders having or holding at least a majority of the sum of the aggregate Tranche A Term Loan Exposure of all Lenders, and (ii) for the Class of Lenders having Tranche B Term Loan Exposure, Lenders having or holding at least a majority of the sum of the aggregate Tranche B Term Loan Exposure of all Lenders.

"Requisite Lenders" means one or more Lenders having or holding Tranche A Term Loan Exposure, and/or Tranche B Term Loan Exposure representing more than 50% of the sum of (i) the aggregate Tranche A Term Loan Exposure of all Lenders, and (ii) the aggregate Tranche B Exposure of all Lenders.

"Restricted Account" means an account maintained with one of the

Agents in which Collateral Agent has a perfected First Priority security interest for the benefit of the Secured Parties, which by its terms provides among other things that all Cash and Cash Equivalents deposited therein may not be released therefrom (other than with the consent of Collateral Agent or Requisite Lenders) until such time as the EBITDA Requirement has been satisfied.

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"Restricted Junior Payment" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of stock of Company or OpCo now or hereafter outstanding, except a dividend payable solely in shares of that class of stock to the holders of that class; (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of stock of Company now or hereafter outstanding; except to the extent payable in exchange for shares of Capital Stock of Company, (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of stock of Company or OpCo now or hereafter outstanding; except to the extent paid with shares of Capital Stock of Company or OpCo or warrants, options or other rights to acquire any such shares, and (iv) any payment or prepayment of principal of, premium, if any, or interest on, or redemption, purchase, retirement, defeasance (including in-substance or legal defeasance), sinking fund or similar payment with respect to, the Senior Notes and any Permitted Unsecured Company Debt, or any Permitted Equipment Financing; provided that Restricted Junior Payments shall not include (y) cash

dividends made on preferred stock of Company issued after the Closing Date to the extent that such dividends are only required to be paid and are only paid from the proceeds of the issuance of such preferred stock escrowed for such purpose and (z) retirement of Senior Notes pursuant to an exchange of Senior Notes for Qualifying Equity of Company which does not involve or require any cash payment or pledge of any assets of the Company or its Subsidiaries (other than the payment of reasonable fees and expenses to professionals for services rendered in connection therewith).

"Restricted Subsidiaries" means all direct or indirect subsidiaries of Company other than Unrestricted Subsidiaries.

"Revolving Loans" has the meaning assigned to that term in the Existing Credit Agreement.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Corporation.

"San Jose Ground Lease" means the Ground Lease by and between iStar San Jose, LLC, as Lessor, and Company, as Lessee, dated June 21, 2000 as amended or restated from time to time but not, in any event, such that the amounts payable with respect thereto exceed amounts payable with respect thereto as contemplated by the Effective Date Financial Plan or otherwise materially increase the obligations of Company thereunder.

"Secured Parties" as defined in the Pledge and Security Agreement.

"Securities" means any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit-sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

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"Securities Act" means the Securities Act of 1933, as amended from time to time, and any successor statute.

"Senior Leverage Ratio" means the ratio, as of the last day of any Fiscal Quarter, of (i) Consolidated Senior Secured Debt as of such date to (ii) Annualized Consolidated EBITDA.

"Senior Notes" means the 13% Senior Notes due 2007 issued by Company in the aggregate principal amount of \$200,000,000 pursuant to the Senior Notes Indenture, as in effect on the Closing Date and as such notes may thereafter be amended, restated, supplemented or otherwise modified from time to time to the extent permitted under Section 6.16.

"Senior Notes Indenture" means the Senior Notes Indenture dated as of December 1, 1999 between Company and State Street Bank and Trust Company of California, N.A., as trustee, pursuant to which the Senior Notes have been issued, as in effect on the Closing Date and as such indenture may thereafter be amended, restated, supplemented or otherwise modified from time to time to the extent permitted under Section 6.16.

"Solvent" means, with respect to any Person, that as of the date of determination both (i) (a) the sum of such Person's debt (including contingent liabilities) does not exceed all of its property, at a fair valuation; (b) the present fair saleable value of the property of such Person is not less than the amount that will be required to pay the probable liabilities on such Person's then existing debts as they become absolute and matured; (c) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (d) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (ii) such Person is "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

"Stage 1" means the period from the Closing Date to and including June 30, 2003.

"Stage 2" means the period from July 1, 2003 through December 15, 2005.

"Subsidiary" means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than 50% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management and policies thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof; provided, in determining the percentage of

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ownership interests of any Person controlled by another Person, no ownership interest in the nature of a "qualifying share" of the former Person shall be deemed to be outstanding.

"Sub-Tranche" as defined in Section 2.1.

"Syndication Agent" as defined in the preamble hereto.

"Tax" means any present or future tax, levy, impost, duty, assessment, charge, fee, deduction or withholding of any nature and whatever called, by whomsoever, on whomsoever and wherever imposed, levied, collected, withheld or assessed; provided, "Tax on the overall net income" of a Person shall be construed as a reference to a tax imposed by the jurisdiction in which that Person is organized or in which that Person's applicable principal office (and/or, in the case of a Lender, its lending office) is located or in which that Person (and/or, in the case of a Lender, its lending office) is deemed to

be doing business on all or part of the net income, profits or gains (whether worldwide, or only insofar as such income, profits or gains are considered to arise in or to relate to a particular jurisdiction, or otherwise) of that Person (and/or, in the case of a Lender, its applicable lending office).

"Term Loan" has the meaning assigned to that term in the Existing Credit Agreement.

"Term Loan Installments" as defined in Section 2.10.

"Term Loan Installment Date" as defined in Section 2.10.

"Terminated Lender" as defined in Section 2.22.

"Total Leverage Ratio" means the ratio as of the last day of any Fiscal Quarter of (a) Consolidated Total Debt to (b) Annualized Consolidated EBITDA.

"Total Utilization Exposure" means, as at any date of determination the sum of the aggregate principal amount of all outstanding Loans.

"Tranche A Term Loan" means a Loan outstanding pursuant to Section 2.1(b) of this Agreement.

"Tranche A Term Loan Exposure" means, with respect to any Lender, the outstanding principal amount of the Tranche A Term Loan of such Lender.

"Tranche A Term Loan Note" means a promissory note in the form of

Exhibit B-1, as it may be amended, restated, supplemented or otherwise modified from time to time.

"Tranche B Term Loan" means a term loan outstanding pursuant to Section 2.2 of this Agreement.

"Tranche B Term Loan Commitment" means the commitment of a Lender to make or otherwise fund a Tranche B Term Loan to OpCo and "Tranche B Term Loan

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Commitments" means such commitments of all Lenders in the aggregate. The amount of each Lender's Tranche B Term Loan Commitment, if any, is set forth on Appendix A-3 or in the applicable Assignment Agreement, subject to any adjustment or reduction pursuant to the terms and conditions hereof. The aggregate amount of the Tranche B Term Loan Commitments as of the Effective Date is \$25,000,000.

"Tranche B Term Loan Commitment Period" means the period commencing on the Effective Date and ending on Tranche B Term Loan Commitment Termination Date.

"Tranche B Term Loan Commitment Termination Date" means December 31, 2002.

"Tranche B Term Loan Exposure" means, with respect to any Lender, (i) prior to the termination of the Tranche B Term Loan Commitments, that Lender's Tranche B Term Loan Commitment and (ii) after termination of the

Tranche B Term Loan Commitment, the outstanding principal amount of the Tranche B Term Loans of such Lender.

"Tranche B Term Loan Note" means a promissory note in the form of Exhibit B-2, as it may be amended, restated, supplemented or otherwise modified from time to time.

"Transaction Costs" means the fees, costs and expenses payable by Company or any of Company's Subsidiaries on or before the Effective Date in connection with the transactions contemplated by the Credit Documents.

"Type of Loan" means with respect to any of the Loans, a Base Rate Loan or a Eurodollar Rate Loan.

"UCC" means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in any applicable jurisdiction.

"UCC Questionnaire" means any certificate in form satisfactory to the Collateral Agent and its counsel that provides information with respect to any personal or mixed property of each Credit Party.

"Unadjusted Eurodollar Rate Component" means that component of the interest costs to Company in respect of a Eurodollar Rate Loan that is based upon the rate obtained pursuant to clause (i) of the definition of Adjusted Eurodollar Rate.

"Unrestricted Subsidiaries" means each Subsidiary of Company identified on Schedule 1.1(b).

1.2 Accounting Terms. Except as otherwise expressly provided herein, all accounting terms not otherwise defined herein shall have the meanings assigned to them in conformity with GAAP. Financial statements and other information required to be delivered by Company to Lenders pursuant to Section 5.1(a), 5.1(b) and 5.1(c) shall be prepared in accordance with GAAP as in effect at the time of such preparation (and delivered together with the reconciliation statements provided for in Section 5.1(f)), if applicable). Subject to the foregoing, calculations in connection with the definitions, covenants and other provisions hereof

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shall utilize accounting principles and policies in conformity with those used to prepare the Historical Financial Statements.

1.3 Interpretation, etc. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. References herein to any Section, Appendix, Schedule or Exhibit shall be to a Section, an Appendix, a Schedule or an Exhibit, as the case may be, hereof unless otherwise specifically provided. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with

reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter.

SECTION 2. LOANS

2.1 Confirmation and Redesignation of Existing Loans as Tranche A Term Loans.

(a) Each Credit Party acknowledges and confirms that, immediately prior to giving effect to the prepayment made on the Effective Date pursuant to Section 3.1, each Lender held Existing Loans in the respective principal amounts set forth opposite their names on Schedule A-1 annexed hereto.

Each Credit Party hereby represents, warrants, agrees, and covenants that there are no defenses, rights of set off, claims or counterclaims against any Agent or Lender in regard to its Obligations in respect of such Existing Loans with respect to the Existing Credit Agreement or otherwise.

(b) Immediately following the prepayment of Existing Loans contemplated by Section 3.1 the remaining aggregate principal balance of Existing Loans shall be automatically redesignated pursuant to this Section 2.1(b) as Tranche A Term Loans and shall thereafter be treated as Tranche A Term Loans made to Borrower for all purposes under this Agreement. Immediately after giving effect to the foregoing, the aggregate principal amount of outstanding Tranche A Term Loans shall be \$100,000,000, and each Lender's Pro Rata Share of the outstanding Tranche A Term Loans shall be as set forth on Schedule A-2. Any Tranche A Term Loan repaid or prepaid may not be reborrowed. Subject to Sections 2.10, 2.11(a) and 2.12, all amounts owed hereunder with respect to the Tranche A Term Loans shall be paid in full no later than the Maturity Date. For purposes of calculating applicable interest rates and payments with respect to interest, the Tranche A Term Loans shall be divided into three sub-tranches (each, a "Sub-Tranche"): (i) Term Loans redesignated as Tranche A Term Loans shall be designated as "Tranche A Terms Loan I", (ii) Delayed Draw Term Loans redesignated as Tranche A Term Loans shall be designated as "Tranche A Terms Loan II" and (iii) Revolving Loans redesignated as Tranche A Term Loans shall be designated as "Tranche A Term Loans III".

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2.2 Tranche B Term Loans.

(a) During the Tranche B Term Loan Commitment Period, subject to the terms and conditions hereof, each Lender holding a Tranche B Term Loan Commitment severally agrees to make Tranche B Term Loans to the Borrower in the aggregate amount up to but not exceeding such Lender's Tranche B Term Loan Commitment; provided that (x) after giving effect to the making of any Tranche B Term Loans in no event shall the Total Utilization Exposure exceed the Borrowing Base as set forth in a Borrowing Base Certificate delivered pursuant to Section 3.2(i) in connection with the making of such Loans and (y) unless and until the EBITDA Requirement has been satisfied, no more than \$5,000,000 aggregate principal amount of Tranche B Term Loans may be borrowed. Subject to the foregoing, Borrower may make one or more drawings on the Tranche B Term Loan Commitments during the Tranche B Term Loan Commitment Period. Any amounts borrowed under this Section 2.2 and subsequently repaid or prepaid may not be reborrowed. Subject to Sections 2.10, 2.11(a) and 2.12, all amounts owed hereunder with respect to the Tranche B Term Loans shall be paid in full no later than the Maturity Date. Each Lender's Tranche B Term Loan Commitment shall terminate immediately and without further action upon the funding in full of

such Lender's Tranche B Term Loan Commitment. The Tranche B Term Loan Commitment shall expire immediately and without further action on the last day of the Tranche B Term Loan Commitment Period. On and after the Effective Date, no Lender shall have any obligation to make an extension of credit pursuant to this Agreement other than as set forth in this Section 2.2(a).

(b) Borrowing Mechanics for Tranche B Term Loans.

(i) Tranche B Term Loans shall be made in minimum amounts of \$5,000,000.

(ii) On the Effective Date, Borrower shall deliver to Administrative Agent a fully executed and delivered Effective Date Certificate (which shall be deemed to be a Funding Notice with respect to the Tranche B Term Loans for all purposes hereof); provided, that

Tranche B Term Loans made by Lenders on the Effective Date initially shall be made as Base Rate Loans. In order to effect any borrowing of Tranche B Term Loans contemplated hereby on the Effective Date, Administrative Agent is authorized to net an amount equal to the proceeds of such borrowings from the \$50,000,000 prepayment being made on the Effective Date pursuant to Section 3.1(q) and to deliver such proceeds to Borrower. After giving effect to the foregoing Tranche B

Term Loans in such amount shall be deemed outstanding hereunder as of the Effective Date.

(iii) Whenever the Borrower desires that Lenders make Tranche B Term Loans, the Borrower shall deliver to Administrative Agent telephonic notice, followed by a fully executed and delivered Funding Notice no later than 10:00 a.m. (New York City time) at least three (3) Business Days in advance of the proposed Credit Date in the case of a Eurodollar Rate Loan, and at least one (1) Business Day in advance of the proposed Credit Date in the case of a Base Rate Loan. Except as otherwise provided herein, a Funding Notice for a Loan that is a Eurodollar Rate Loan shall be irrevocable on

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and after the related Interest Rate Determination Date, and the Borrower shall be bound to make a borrowing in accordance therewith.

(iv) Notice of receipt of each Funding Notice in respect of Tranche B Term Loans, together with the amount of each Lender's Pro Rata Share thereof, if any, together with the applicable interest rate, shall be provided by Administrative Agent to each applicable Lender by telefacsimile with reasonable promptness, but (provided Administrative Agent shall have received such notice by 12:00 p.m. (New York City time)) not later than 2:00 p.m. (New York City time) on the same day as Administrative Agent's receipt of such notice from the Borrower.

(v) Each Lender shall make the amount of its Tranche B Term Loan available to Administrative Agent not later than 12:00 p.m. (New York City time) on the applicable Credit Date by wire transfer of same day funds in Dollars, at the Administrative Agent's Principal Office. Except as provided herein, upon satisfaction or waiver of the conditions precedent specified herein, Administrative Agent shall make the proceeds of such Tranche B Term Loans available to the Borrower by 3:00 p.m. New York City time on the applicable Credit Date by causing an amount of same day funds in Dollars equal to the proceeds of all such Loans received by Administrative Agent from Lenders to be credited to the account of the Borrower at the Administrative Agent's Principal Office or such other account as may be designated in writing to Administrative Agent by the Borrower.

2.3 Pro Rata Shares.

All Tranche A Term Loans shall be deemed made, all Tranche B Term Loans shall be made, and all participations purchased, by Lenders concurrently and proportionately to their respective Pro Rata Shares, it being understood that no Lender shall be responsible for any default by any other Lender in such other Lender's obligation to make a Loan requested hereunder or purchase a participation required hereby nor shall the Tranche B Term Loan Commitment of any Lender be increased or decreased as a result of a default by any other Lender in such other Lender's obligation to make a Loan requested hereunder or purchase a participation required hereby.

2.4 Use of Proceeds.

The proceeds of the Loans have been used or shall be used (i) to provide financing for the cost of design, development, acquisition, construction, installation, improvement, transportation and/or integration of equipment, inventory or facility assets, inventory or network assets and of leasing and acquiring of real property, and (ii) for working capital and other general corporate purposes of Company and its Domestic Subsidiaries, including Permitted Acquisitions. No portion of the proceeds of any Credit Extension shall be used by Company or any of its Subsidiaries in any manner that might cause such Credit Extension or the application of such proceeds to violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation thereof or to violate the Exchange Act.

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2.5 Evidence of Debt; Register; Lenders' Books and Records; Notes.

(a) Lenders' Evidence of Debt. Each Lender shall maintain on

its internal records an account or accounts evidencing the Indebtedness of Borrower to such Lender, including the amounts of the Loans made by it and each repayment and prepayment in respect thereof. Any such recordation shall be conclusive and binding on the Borrower, absent manifest error; provided, failure

to make any such recordation, or any error in such recordation, shall not affect any Lender's Commitments or Borrower's Obligations in respect of any applicable Loans; and provided further, in the event of any inconsistency between the

Register and any Lender's records, the recordations in the Register shall govern.

(b) Register. Administrative Agent shall maintain at its

Principal Office a register for the recordation of the names and addresses of Lenders and the Tranche B Term Loan Commitments and Loans of each Lender from time to time (the "Register"). The Register shall be available for inspection by Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice. Administrative Agent shall record in the Register the Tranche B Term Loan Commitments and the Loans, and each repayment or prepayment in respect of the principal amount of the Loans, and any such recordation shall be conclusive and binding on the Borrower and each Lender, absent manifest error; provided, failure to make any such recordation, or any error in such

recordation, shall not affect any Lender's Commitments or Borrower's Obligations in respect of any Loan. Borrower hereby designates the Administrative Agent to serve as Borrower's agent solely for purposes of maintaining the Register as provided in this Section 2.5, and Borrower hereby agrees that, to the extent the Administrative Agent serves in such capacity, the Administrative Agent and its officers, directors, employees, agents and affiliates shall constitute "Indemnitees."

(c) Notes. If so requested by any Lender by written notice to

the Borrower (with a copy to Administrative Agent), at any time, Borrower shall execute and deliver to such Lender (and/or, if applicable and if so specified in such notice, to any Person who is an assignee of such Lender pursuant to Section 10.6) on the Effective Date (or, if such notice is delivered after the Effective Date, promptly after the Borrower's receipt of such notice) a Note or Notes to evidence such Lender's Loans.

2.6 Interest on Loans.

(a) Except as otherwise set forth herein, each Loan shall bear interest on the unpaid principal amount thereof from the date made through repayment (whether by acceleration or otherwise) thereof as follows:

(i) if a Base Rate Loan, at the Base Rate plus the Applicable Margin; or

(ii) if a Eurodollar Rate Loan, at the Adjusted Eurodollar Rate plus the Applicable Margin.

(b) The basis for determining the rate of interest with respect to any Loan, and the Interest Period with respect to any Eurodollar Rate Loan, shall be selected by the Borrower and notified to Administrative Agent and Lenders pursuant to the applicable Funding

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Notice or Conversion/Continuation Notice, as the case may be. If on any day a Loan is outstanding with respect to which a Conversion/Continuation Notice has not been delivered to Administrative Agent in accordance with the terms hereof specifying the applicable basis for determining the rate of interest, then for that day such Loan shall be a Base Rate Loan. Notwithstanding the foregoing, (i) with respect to Tranche A Term Loans outstanding as of the Effective Date, the Adjusted Eurodollar Rate applicable to the Existing Loans and the related Interest Periods shall continue to apply to the related Sub-Tranche through the expiration of the applicable Interest Periods, as applicable, (ii) the basis for determining interest rates and associated payments in accordance with the terms hereof with respect to Tranche A Term Loans shall be made with reference to the applicable Sub-Tranche, and (iii) the basis for determining the rate of interest applicable to the Tranche B Term Loans made on the Effective Date shall be set forth in the Effective Date Certificate.

(c) In connection with Eurodollar Rate Loans there shall be no more than ten (10) Interest Periods outstanding at any time. In the event Borrower fails to specify between a Base Rate Loan or a Eurodollar Rate Loan in the applicable Funding Notice or Conversion/Continuation Notice, such Loan (if

outstanding as a Eurodollar Rate Loan) will be automatically converted into a Base Rate Loan on the last day of the then-current Interest Period for such Loan (or if outstanding as a Base Rate Loan will remain as, or (if not then outstanding) will be made as, a Base Rate Loan). In the event the Borrower fails to specify an Interest Period for any Eurodollar Rate Loan in the applicable Funding Notice or a Conversion/Continuation Notice, the Borrower shall be deemed to have selected an Interest Period of one month. As soon as practicable after 10:00 a.m. (New York City time) on each Interest Rate Determination Date, Administrative Agent shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) the interest rate that shall apply to the Eurodollar Rate Loans for which an interest rate is then being determined for the applicable Interest Period and shall promptly give

notice thereof (in writing or by telephone confirmed in writing) to the Borrower and each Lender.

(d) Interest payable pursuant to Section 2.6(a) shall be computed in the case of Base Rate Loans on the basis of a 365-day or 366-day year, as the case may be, and in the case of Eurodollar Rate Loans, on the basis of a 360-day year, in each case for the actual number of days elapsed in the period during which it accrues. In computing interest on any Loan, the date of the making of such Loan or the first day of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted from a Eurodollar Rate Loan, the date of conversion of such Eurodollar Rate Loan to such Base Rate Loan, as the case may be, shall be included, and the date of payment of such Loan or the expiration date of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted to a Eurodollar Rate Loan, the date of conversion of such Base Rate Loan to such Eurodollar Rate Loan, as the case may be, shall be excluded; provided, if a Loan is repaid on the same day on -----

which it is made, one day's interest shall be paid on that Loan.

(e) Except as otherwise set forth herein, interest on each Loan shall be payable in arrears (i) on each Interest Payment Date applicable to that Loan; (ii) in the case of any prepayment of that Loan, whether voluntary or mandatory, on the date of prepayment (to the extent accrued on the amount being prepaid); and (iii) at the Maturity Date.

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2.7 Conversion/Continuation.

(a) Subject to Section 2.17 and so long as no Default or Event of Default shall have occurred and then be continuing, the Borrower shall have the option:

(i) to convert at any time all or any part of any Loan equal to \$1,000,000 and integral multiples of \$500,000 in excess of that amount from one Type of Loan to another Type of Loan; provided, a -----

Eurodollar Rate Loan may only be converted on the expiration of the Interest Period applicable to such Eurodollar Rate Loan unless the Borrower shall pay all amounts due under Section 2.17 in connection with any such conversion; or

(ii) upon the expiration of any Interest Period applicable to any Eurodollar Rate Loan, to continue all or any portion of such Loan equal to \$1,000,000 and integral multiples of \$500,000 in excess of that amount as a Eurodollar Rate Loan.

(b) The Borrower shall deliver a Conversion/Continuation Notice to Administrative Agent no later than 10:00 a.m. (New York City time) at least one (1) Business Day in advance of the proposed conversion date (in the case of a conversion to a Base Rate Loan) and at least three (3) Business Days in advance of the proposed conversion/continuation date (in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan). Except as otherwise provided herein, a Conversion/Continuation Notice for conversion to, or continuation of, any Eurodollar Rate Loans (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to effect a conversion or continuation in accordance therewith.

2.8 Default Interest. Upon the occurrence and during the continuance of an Event of Default, the principal amount of all Loans and, to the extent permitted by applicable law, any interest payments on the Loans or any fees or other amounts owed hereunder not paid when due, in each case whether at stated maturity, by notice of prepayment, by acceleration or otherwise, shall thereafter bear interest (including post-petition interest in any proceeding under the Bankruptcy Code or other applicable bankruptcy laws) payable on demand at a rate that is 5.0% per annum in excess of the interest rate otherwise payable hereunder with respect to the applicable Loans (or, in the case of any such fees and other amounts, at a rate which is 5.0% per annum in excess of the interest rate otherwise payable hereunder for Base Rate Loans); provided, in the case of Eurodollar Rate Loans, upon the expiration of the Interest Period in effect at the time any such increase in interest rate is effective, such Eurodollar Rate Loans shall thereupon become Base Rate Loans and shall thereafter bear interest payable upon demand at a rate which is 5.0% per annum in excess of the interest rate otherwise payable hereunder for Base Rate Loans. Payment or acceptance of the increased rates of interest provided for in this Section 2.8 is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Administrative Agent, any other Agent or any Lender.

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2.9 Fees.

(a) Company agrees to pay from the Effective Date to the Tranche B Term Loan Commitment Termination Date to Lenders having Tranche B Term Loan Exposure a commitment fee equal to (y) the average of the daily unused Tranche B Term Loan Commitment of such Lender during the preceding month multiplied by, (z) the Applicable Commitment Fee Percentage. All fees referred to in this Section 2.9(a) shall be paid to Administrative Agent at its Principal Office and upon receipt, Administrative Agent shall promptly distribute to each Lender its Pro Rata Share thereof.

(b) All fees referred to in Section 2.9(a) shall be calculated on the basis of a 360- day year and the actual number of days elapsed and shall be payable (i) monthly in arrears commencing on the last day of the month during which the Effective Date occurs, and (ii) on the Tranche B Term Loan Commitment Termination Date.

(c) In addition to any of the foregoing fees, Company agrees to pay to Agents such other fees in the amounts and at the times separately agreed upon by Company and such Agents.

2.10 Scheduled Payments.

Scheduled Term Loan and Delayed Draw Term Loan Installments.

The principal amounts of the Tranche A Term Loans and Tranche B Term Loans shall be repaid in the aggregate amounts set forth below (each, a "Term Loan Installment") on the corresponding date set forth below (each, a "Term Loan Installment Date") each such prepayment to be allocated on a pro rata basis among Tranche A Term Loans and Tranche B Term Loans outstanding as the date of such repayment:

Term Loan Installment Dates	Term Loan Installments
March 31, 2003	\$ 1,250,000
June 30, 2003	\$ 1,250,000
September 30, 2003	\$ 1,250,000
December 31, 2003	\$ 6,250,000
March 31, 2004	\$12,500,000
June 30, 2004	\$12,500,000
September 30, 2004	\$12,500,000
December 31, 2004	\$12,500,000
March 31, 2005	\$18,750,000
June 30, 2005	\$18,750,000
September 30, 2005	\$18,750,000
December 15, 2005	\$ 8,750,000

Notwithstanding the foregoing, (i) such Term Loan Installments shall be reduced in connection with any voluntary or mandatory prepayments of the Loans, in accordance with Sections 2.11, 2.12 and 2.13, as applicable; (ii) to the extent Tranche B Term Loans in an amount equal to the Tranche B Term Loan Commitments have not been borrowed on or before the Tranche B Term

Loan Commitment Termination Date, the foregoing Term Loan Installments shall be reduced on pro rata basis by the unborrowed amount, beginning with the Term Loan Installments commencing on March 31, 2004 and thereafter and (iii) the Loans, together with all other amounts owed hereunder with respect thereto, shall, in any event, be paid in full no later than the Maturity Date.

2.11 Voluntary Prepayments/Commitment Reductions.

(a) Voluntary Prepayments.

(i) Any time and from time to time:

(1) with respect to Base Rate Loans, the Borrower may prepay, subject to Section 2.11(c), any such Loans on any Business Day in

whole or in part, in an aggregate minimum amount of \$2,000,000 and integral multiples of \$1,000,000 in excess of that amount; and

(2) with respect to Eurodollar Rate Loans, the Borrower may prepay, subject to Sections 2.11(c) and 2.17, any such Loans on any Business Day in whole or in part in an aggregate minimum amount of \$2,000,000 and integral multiples of \$1,000,000 in excess of that amount.

(ii) All such prepayments shall be made:

(1) upon not less than one (1) Business Days' prior written or telephonic notice in the case of Base Rate Loans; and

(2) upon not less than three (3) Business Days' prior written or telephonic notice in the case of Eurodollar Rate Loans, in each case given to Administrative Agent, as the case may be, by 12:00 p.m. (New York City time) on the date required and, if given by telephone, promptly confirmed in writing to Administrative Agent (and Administrative Agent will promptly transmit such telephonic or original notice by telefacsimile or telephone to each Lender). Upon the giving of any such notice, the principal amount of the Loans specified in such notice shall become due and payable on the prepayment date specified therein.

(b) Voluntary Tranche B Term Loan Commitment Reductions.

(i) The Borrower may, upon not less than three (3) Business Days' prior written or telephonic notice confirmed in writing to Administrative Agent (which original written or telephonic notice Administrative Agent will promptly transmit by telefacsimile or telephonic notice to each applicable Lender), at any time and from time to time terminate in whole or permanently reduce in part, without premium or penalty, the Tranche B Term Loan Commitments in an amount up to the amount by which the Tranche B Term Loan Commitments exceed the outstanding Tranche B Term Loans at the time of such proposed termination or reduction; provided, any such partial

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reduction of the Tranche B Term Loan Commitments shall be in an aggregate minimum amount of \$2,000,000 and integral multiples of \$1,000,000 in excess of that amount.

(ii) The Borrower's notice to Administrative Agent shall designate the date (which shall be a Business Day) of such termination or reduction and the amount of any partial reduction, and such termination or reduction of the Tranche B Term Loan Commitments shall be effective on the date specified in the Borrower's notice and shall reduce the Tranche B Term Loan Commitments of each Lender proportionately to its Pro Rata Share thereof.

2.12 Mandatory Prepayments/Commitment Reductions.

(a) Asset Sales. If, within the period of one hundred eighty

(180) days after the receipt by Company or any of its Restricted Subsidiaries of Net Asset Sale Proceeds, OpCo (or to the extent such Net Asset Sale Proceeds are proceeds of the sale of assets of Company, Company) has not invested (or committed to invest within 180 days and actually invested within a period of 270 days) such Net Asset Sale Proceeds in long term productive assets of the general type used in the business of Company and its Restricted Subsidiaries, as certified to Administrative Agent by Company, then, to the extent the Borrower has not previously done so, the Borrower shall prepay Loans and/or the Tranche B Term Loan Commitments shall be permanently reduced as set forth in Section 2.13, in either case in an amount equal to the excess of such Net Asset Sale Proceeds over amounts invested as aforesaid.

(b) Insurance/Condemnation Proceeds. If, within the period of

one hundred eighty (180) days after the receipt by Company or any of its Restricted Subsidiaries of Net Insurance/Condemnation Proceeds, OpCo (or to the extent such Net Asset Sale Proceeds are proceeds of the sale of assets of Company, Company) has not invested (or committed to invest within 180 days and actually invested within a period of 270 days) such Net Insurance/Condemnation Proceeds in long term productive assets of general type used in the business of Company and its Restricted Subsidiaries, as certified to Administrative Agent by Company then, to the extent the Borrower has not previously done so, the Borrower shall prepay Loans and/or the Tranche B Term Loan Commitments shall be permanently reduced as set forth in Section 2.13, in either case in an amount equal to the excess of such Net Insurance/Condemnation Proceeds over amounts invested as aforesaid.

(c) Consolidated Excess Cash Flow. In the event that there

shall be Consolidated Excess Cash Flow for any Fiscal Year, commencing with Fiscal Year 2003, the Borrower shall, no later than sixty (60) days after the end of such Fiscal Year, prepay the Loans and/or the Tranche B Term Loan Commitments shall be permanently reduced as set forth in Section 2.13 in an aggregate amount equal to 50% of such Consolidated Excess Cash Flow.

(d) Borrowing Base. Borrower shall from time to time prepay

the Loans to the extent necessary so that the aggregate principal amount of all outstanding Loans, shall not at any time exceed the Borrowing Base then in effect.

(e) Prepayment Certificate. Concurrently with any prepayment

of the Loans and/or reduction of the Tranche B Term Loan Commitments pursuant to Sections 2.12(a)

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through 2.12(d), Borrower shall deliver to Administrative Agent a certificate of an Authorized Officer (a copy of which Administrative Agent shall promptly provide to each Lender) demonstrating the calculation of the amount of the applicable net proceeds or Consolidated Excess Cash Flow, as the case may be. In the event that the Borrower shall subsequently determine that the actual amount received exceeded the amount set forth in such certificate, the Borrower shall promptly make an additional prepayment of the Loans and/or Tranche B Term Loan Commitments shall be permanently reduced in an amount equal to such excess, and Borrower shall concurrently therewith deliver to Administrative Agent (a copy of

which Administrative Agent shall promptly provide to each Lender) a certificate of an Authorized Officer demonstrating the derivation of such excess.

2.13 Application of Prepayments/Reductions.

(a) Application of Voluntary Prepayments by Type of Loans. Any

prepayment of any Loan pursuant to Section 2.11(a) shall be applied to prepay outstanding Loans on a pro rata basis (in accordance with the respective outstanding principal amounts thereof). Any prepayment of Loans pursuant to Section 2.11(a) shall be further applied, on a pro rata basis, to the remaining scheduled Term Loan Installments.

(b) Application of Mandatory Prepayments by Type of Loans. (i)

Any amount required to be prepaid pursuant to Section 2.12 shall be applied first, to prepay outstanding Loans on a pro rata basis (in accordance with the respective outstanding principal amounts thereof) and second, to reduce any unused Tranche B Term Loan Commitments, and shall be further applied to the remaining scheduled Term Loan Installments, in inverse order of maturity;

(c) Application of Prepayments of Loans to Base Rate Loans and

Eurodollar Rate Loans. Considering each Class of Loans being prepaid separately,

any prepayment thereof shall be applied first to Base Rate Loans to the full extent thereof before application to Eurodollar Rate Loans, in each case in a manner which minimizes the amount of any payments required to be made by Borrower pursuant to Section 2.17(c).

2.14 Allocation of Certain Payments and Proceeds. If an Event of Default shall have occurred and not otherwise be waived, and the maturity of the Obligations shall have been accelerated pursuant to Section 8.1, all payments or proceeds received by Agents hereunder in respect of any of the Obligations, shall be applied by Agents in accordance with the application arrangements described in Section 6.5 of the Pledge and Security Agreement.

2.15 General Provisions Regarding Payments.

(a) All payments by the Borrower of principal, interest, fees and other Obligations shall be made in Dollars in same day funds, without defense, setoff or counterclaim, free of any restriction or condition, and delivered to Administrative Agent not later than 12:00 p.m. (New York City time) on the date due at the Administrative Agent's Principal Office for the account of Lenders; funds received by Administrative Agent after that time on such due date shall be deemed to have been paid by the Borrower on the next succeeding Business Day.

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(b) All payments in respect of the principal amount of any Loan shall include payment of accrued interest on the principal amount being repaid or prepaid, and all such payments (and, in any event, any payments in respect of any Loan on a date when interest is due and payable with respect to

such Loan) shall be applied to the payment of interest before application to principal.

(c) Administrative Agent shall promptly distribute to each Lender at such address as such Lender shall indicate in writing, such Lender's applicable Pro Rata Share, giving effect to any adjustment from Pro Rata Shares

on and after the Closing Date, of all payments and prepayments of principal and interest due hereunder, together with all other amounts due thereto, including, without limitation, all fees payable with respect thereto, to the extent received by Administrative Agent.

(d) Notwithstanding the foregoing provisions hereof, if any Conversion/Continuation Notice is withdrawn as to any Affected Lender or if any Affected Lender makes Base Rate Loans in lieu of its Pro Rata Share of any Eurodollar Rate Loans, Administrative Agent shall give effect thereto in apportioning payments received thereafter.

(e) Subject to the provisos set forth in the definition of "Interest Period", whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest hereunder.

(f) The Borrower hereby authorizes Administrative Agent to charge its accounts with Administrative Agent in order to cause timely payment to be made to Administrative Agent of all principal, interest, fees and expenses due hereunder (subject to sufficient funds being available in its accounts for that purpose).

(g) Administrative Agent shall deem any payment by or on behalf of the Borrower hereunder that is not made in same day funds prior to 12:00 p.m. (New York City time) on or before the due date to be a non-conforming payment. Any such payment shall not be deemed to have been received by Administrative Agent until the later of (i) the time such funds become available funds, and (ii) the applicable next Business Day. Administrative Agent shall give prompt telephonic notice to the Borrower and each applicable Lender (confirmed in writing) if any payment is non-conforming. Any non-conforming payment may constitute or become a Default or Event of Default in accordance with the terms of Section 8.1(a). Interest shall continue to accrue on any principal as to which a non-conforming payment is made until such funds become available funds (but in no event less than the period from the date of such payment to the next succeeding applicable Business Day) at the rate determined pursuant to Section 2.8 from the date such amount was due and payable until the date such amount is paid in full.

2.16 Ratable Sharing. Lenders hereby agree among themselves that, except as otherwise provided in the Collateral Documents with respect to amounts realized from the exercise of rights with respect to Liens on the Collateral, if any of them shall, whether by voluntary payment (other than a voluntary prepayment of Loans made and applied in accordance with the terms hereof), through the exercise of any right of set-off or banker's lien, by counterclaim or cross action or by the enforcement of any right under the Credit Documents or

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otherwise, or as adequate protection of a deposit treated as cash collateral under the Bankruptcy Code, receive payment or reduction of a proportion of the aggregate amount of principal, interest, fees and other amounts then due and owing to such Lender hereunder or under the other Credit Documents (collectively, the "Aggregate Amounts Due" to such Lender) which is greater than the proportion received by any other Lender in respect of the Aggregate Amounts Due to such other Lender, then the Lender receiving such proportionately greater payment shall notify Administrative Agent and each other Lender of the receipt of such payment and apply a portion of such payment to purchase participations (which it shall be deemed to have purchased from each seller of a participation simultaneously upon the receipt by such seller of its portion of such payment) in the Aggregate Amounts Due to the other Lenders so that all such recoveries of Aggregate Amounts Due shall be shared by all Lenders in proportion to the Aggregate Amounts Due to them; provided, if all or part of such proportionately

greater payment received by such purchasing Lender is thereafter recovered from such Lender upon the bankruptcy or reorganization of a Credit Party or otherwise, those purchases shall be rescinded and the purchase prices paid for such participations shall be promptly returned to such purchasing Lender ratably to the extent of such recovery, but without interest. The Borrower expressly consents to the foregoing arrangement and agrees that any holder of a participation so purchased may exercise any and all rights of banker's lien, set-off or counterclaim with respect to any and all monies owing by the Borrower to that holder with respect thereto as fully as if that holder were owed the amount of the participation held by that holder.

2.17 Making or Maintaining Eurodollar Rate Loans.

(a) Inability to Determine Applicable Interest Rate. In the

event that Administrative Agent shall have determined (which determination shall be final and conclusive and binding upon all parties hereto), on any Interest Rate Determination Date with respect to any Eurodollar Rate Loans, that by reason of circumstances affecting the London interbank market adequate and fair means do not exist for ascertaining the interest rate applicable to such Loans on the basis provided for in the definition of Adjusted Eurodollar Rate, Administrative Agent shall on such date give notice (by telefacsimile or by telephone confirmed in writing) to the Borrower and each Lender of such determination, whereupon no Loans may be made as, or converted to, Eurodollar Rate Loans until such time as Administrative Agent notifies the Borrower and Lenders (by telefacsimile or by telephonic notice confirmed in writing) that the circumstances giving rise to such notice no longer exist, and any Funding Notice or Conversion/Continuation Notice given by the Borrower with respect to the Loans in respect of which such determination was made shall be deemed to be, in the case of a Conversion Notice, rescinded by the Borrower and, in the case of a Funding Notice, deemed to be a Funding Notice in respect of Base Rate Loans.

(b) Illegality or Impracticability of Eurodollar Rate Loans.

In the event that on any date any Lender shall have determined (which determination shall be final and conclusive and binding upon all parties hereto but shall be made only after consultation with the Borrower and Administrative Agent) that the making, maintaining or continuation of its Eurodollar Rate Loans has become unlawful as a result of compliance by such Lender in good faith with any law, treaty, governmental rule, regulation, guideline or order (or would conflict with any such treaty, governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful), or has become

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impracticable, as a result of contingencies occurring after the date hereof which materially and adversely affect the London interbank market or the position of such Lender in that market, then, and in any such event, such Lender shall be an "Affected Lender" and it shall on that day give notice (by telefacsimile or by telephone confirmed in writing) to the Borrower and

Administrative Agent of such determination (which notice Administrative Agent shall promptly transmit to each other Lender and by telefacsimile or telephonic notice confirmed in writing). Thereafter the obligation of the Affected Lender to make Loans as, or to convert Loans to, Eurodollar Rate Loans shall be suspended until such notice shall be withdrawn by the Affected Lender, to the extent such determination by the Affected Lender relates to a Eurodollar Rate Loan then being requested by the Borrower pursuant to a Funding Notice or a Conversion/Continuation Notice, the Affected Lender shall make such Loan as (or continue such Loan as or convert such Loan to, as the case may be) a Base Rate Loan, the Affected Lender's obligation to maintain its outstanding Eurodollar Rate Loans (the "Affected Loans") shall be terminated at the earlier to occur of the expiration of the Interest Period then in effect with respect to the Affected Loans or when required by law, and the Affected Loans shall automatically convert into Base Rate Loans on the date of such termination. Notwithstanding the foregoing, to the extent a determination by an Affected Lender as described above relates to a Eurodollar Rate Loan then being requested by the Borrower pursuant to a Funding Notice or a Conversion/Continuation Notice, the Borrower shall have the option, subject to the provisions of Section 2.17(c), to rescind such Funding Notice or Conversion/Continuation Notice as to all Lenders by giving notice (by telefacsimile or by telephone confirmed in writing) to Administrative Agent of such rescission on the date on which the Affected Lender gives notice of its determination as described above (which notice of rescission Administrative Agent shall promptly transmit to each other Lender by telefacsimile or by telephonic notice confirmed in writing). Except as provided in the immediately preceding sentence, nothing in this Section 2.17(b) shall affect the obligation of any Lender other than an Affected Lender to make or maintain Loans as, or to convert Loans to, Eurodollar Rate Loans in accordance with the terms hereof.

(c) Compensation for Breakage or Non-Commencement of Interest

Periods. The Borrower shall compensate each Lender, upon written request by such

Lender (which request shall set forth the basis for requesting such amounts), for all reasonable losses, expenses and liabilities (including any interest paid by such Lender to lenders of funds borrowed by it to make or carry its Eurodollar Rate Loans and any loss, expense or liability sustained by such Lender in connection with the liquidation or re-employment of such funds but excluding loss of anticipated profits) which such Lender may sustain (i) if for any reason as a result of the Borrower's action or omission a borrowing of any Eurodollar Rate Loan does not occur on a date specified therefor in a Funding Notice or a telephonic request for borrowing, or a conversion to or continuation of any Eurodollar Rate Loan does not occur on a date specified therefor in a Conversion/Continuation Notice or a telephonic request for conversion or continuation; (ii) if any prepayment or other principal payment or any

conversion of any of its Eurodollar Rate Loans occurs on a date prior to the last day of an Interest Period applicable to that Loan; or (iii) if any prepayment of any of its Eurodollar Rate Loans is not made on any date specified in a notice of prepayment given by the Borrower or as a consequence of any default by the Borrower in the repayment of its Eurodollar Rate Loans when required by the terms thereof.

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(d) Booking of Eurodollar Rate Loans. Any Lender may make,

carry or transfer Eurodollar Rate Loans at, to, or for the account of any of its branch offices or the office of an Affiliate of such Lender.

(e) Assumptions Concerning Funding of Eurodollar Rate Loans.

Calculation of all amounts payable to a Lender under this Section 2.17 and under Section 2.18 shall be made as though such Lender had actually funded each of its relevant Eurodollar Rate Loans through the purchase of a Eurodollar deposit bearing interest at the rate obtained pursuant to clause (i) of the definition of Adjusted Eurodollar Rate in an amount equal to the amount of such Eurodollar Rate Loan and having a maturity comparable to the relevant Interest Period and through the transfer of such Eurodollar deposit from an offshore office of such Lender to a domestic office of such Lender in the United States of America; provided, however, each Lender may fund each of its Eurodollar Rate Loans in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this Section 2.17 and under Section 2.18.

2.18 Increased Costs; Capital Adequacy.

(a) Compensation For Increased Costs and Taxes. Subject to the

provisions of Section 2.19 (which shall be controlling with respect to the matters covered thereby), in the event that any Lender shall determine (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto) that any law, treaty or governmental rule, regulation or order, or any change therein or in the interpretation, administration or application thereof (including the introduction of any new law, treaty or governmental rule, regulation or order), or any determination of a court or Governmental Authority, in each case that becomes effective after the date hereof, or compliance by such Lender with any guideline, request or directive issued or made after the date hereof by any central bank or other governmental or quasi-governmental authority (whether or not having the force of law): subjects such Lender (or its applicable lending office) to any additional Tax (other than any Tax on the overall net income of such Lender) with respect to this Agreement or any of its obligations hereunder or any payments to such Lender (or its applicable lending office) of principal, interest, fees or any other amount payable hereunder or thereunder; imposes, modifies or holds applicable any reserve (including any marginal, emergency, supplemental, special or other reserve), special deposit, compulsory loan, FDIC insurance or similar requirement against assets held by, or deposits or other liabilities in or for the account of, or advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender (other than any such reserve or other requirements with respect to Eurodollar Rate Loans that are reflected in the definition of Adjusted Eurodollar Rate); or imposes any other condition (other than with respect to a Tax matter) on or affecting such Lender (or its applicable lending office) or its obligations hereunder or under any other Credit Document or the London interbank market; and the result of any of the foregoing is to increase the cost to such Lender of agreeing to make, making or maintaining Eurodollar Rate Loans hereunder or to reduce any amount received or receivable by such Lender (or its applicable lending office) with respect thereto; then, in any such case, the Borrower shall promptly pay to such Lender, upon receipt of the statement referred to in the next sentence, such additional amount or amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its sole discretion shall determine) as may be necessary to compensate such Lender for any such

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increased cost or reduction in amounts received or receivable hereunder or under any other Credit Document. Such Lender shall deliver to the Borrower (with a copy to Administrative Agent) a written statement, setting forth in reasonable detail the basis for calculating the additional amounts owed to such Lender under this Section 2.18(a), which statement shall be conclusive and binding upon all parties hereto absent manifest error.

(b) Capital Adequacy Adjustment. In the event that any Lender

shall have determined that the adoption, effectiveness, phase-in or applicability after the date hereof of any law, rule or regulation (or any provision thereof) regarding capital adequacy, or any change therein or in the interpretation or administration thereof by any Governmental Authority, central

bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its applicable lending office) with any guideline, request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of, or with reference to, such Lender's Loans or Tranche B Term Loan Commitments, or participations therein or other obligations hereunder with respect to the Loans to a level below that which such Lender or such controlling corporation could have achieved but for such adoption, effectiveness, phase-in, applicability, change or compliance (taking into consideration the policies of such Lender or such controlling corporation with regard to capital adequacy), then from time to time, within five (5) Business Days after receipt by the Borrower from such Lender of the statement referred to in the next sentence, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such controlling corporation on an after-tax basis for such reduction. Such Lender shall deliver to the Borrower (with a copy to Administrative Agent) a written statement, setting forth in reasonable detail the basis for calculating the additional amounts owed to Lender under this Section 2.18(b), which statement shall be conclusive and binding upon all parties hereto absent manifest error.

(c) Limitation on Retroactive Effect. Failure or delay on the

part of any Lender to demand compensation pursuant to this Section 2.18 shall not constitute a waiver of such Lender's right to demand such compensation; provided, however, that the Borrower shall not be required to compensate a

Lender pursuant to this Section 2.18 for any increased costs or reductions incurred more than 180 days prior to the date that such Lender notifies the Borrower of the change giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that if

the change giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effective thereof.

2.19 Taxes; Withholding, etc.

(a) Payments to Be Free and Clear. All sums payable by any

Credit Party hereunder and under the other Credit Documents shall (except to the extent required by law) be paid free and clear of, and without any deduction or withholding on account of, any Tax (other than a Tax on the overall net income of any Lender) imposed, levied, collected, withheld or assessed by or within the United States of America or any political subdivision in or of the United States of America or any other jurisdiction from or to which a payment is made by or on

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behalf of any Credit Party or by any federation or organization of which the United States of America or any such jurisdiction is a member at the time of payment.

(b) Withholding of Taxes. If any Credit Party or any other

Person is required by law to make any deduction or withholding on account of any such Tax from any sum paid or payable by any Credit Party to Administrative Agent or any Lender under any of the Credit Documents: the Borrower shall notify Administrative Agent of any such requirement or any change in any such requirement as soon as the Borrower becomes aware of it; the Borrower shall pay any such Tax before the date on which penalties attach thereto, such payment to be made (if the liability to pay is imposed on any Credit Party) for its own account or (if that liability is imposed on Administrative Agent or such Lender, as the case may be) on behalf of and in the name of Administrative Agent or such Lender; the sum payable by such Credit Party in respect of which the relevant deduction, withholding or payment is required shall be increased to the extent necessary to ensure that, after the making of that deduction, withholding or payment, Administrative Agent or such Lender, as the case may be, receives on the due date a net sum equal to what it would have received had no such deduction, withholding or payment been required or made; and within thirty (30) days after paying any sum from which it is required by law to make any deduction or withholding, and within thirty (30) days after the due date of payment of any Tax which it is required by clause (ii) above to pay, the Borrower shall deliver to Administrative Agent and the other affected parties evidence satisfactory to the other affected parties of such deduction, withholding or payment and of the remittance thereof to the relevant taxing or other authority; provided, no such additional amount shall be required to be paid to any Lender under clause (iii) above except to the extent that any change after the date hereof (in the case of each Lender listed on the signature pages hereof on the Closing Date) or after the effective date of the Assignment Agreement pursuant to which such Lender became a Lender (in the case of each other Lender) in any such requirement for a deduction, withholding or payment as is mentioned therein shall result in an increase in the rate of such deduction, withholding or payment from that in

effect at the date hereof or at the date of such Assignment Agreement, in respect of payments to such Lender.

(c) Evidence of Exemption From U.S. Withholding Tax. Each

Lender that is not a United States Person (as such term is defined in Section 7701(a)(30) of the Internal Revenue Code) for U.S. federal income tax purposes (a "Non-US Lender") shall deliver (to the extent not previously delivered) to Administrative Agent for transmission to Borrower, on or prior to the Effective Date (in the case of each Lender listed on the signature pages hereof on the Effective Date) or on or prior to the date of the Assignment Agreement pursuant to which it becomes a Lender (in the case of each other Lender), and at such other times as may be necessary in the determination of the Borrower or Administrative Agent (each in the reasonable exercise of its discretion), two original copies of Internal Revenue Service Form W-8BEN or W-8ECI (or any successor forms), properly completed and duly executed by such Lender, and such other documentation required under the Internal Revenue Code and reasonably requested by the Borrower to establish that such Lender is not subject to deduction or withholding of United States federal income tax with respect to any payments to such Lender of principal, interest, fees or other amounts payable under any of the Credit Documents, or if such Lender is not a "bank" or other Person described in Section 881(c)(3) of the Internal Revenue Code and cannot deliver either Internal Revenue Service Form W-8BEN or W-8ECI pursuant to clause (i) above, a Certificate re Non-Bank Status together with two original copies of Internal Revenue Service

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Form W-8 (or any successor form), properly completed and duly executed by such Lender, and such other documentation required under the Internal Revenue Code and reasonably requested by the Borrower to establish that such Lender is not subject to deduction or withholding of United States federal income tax with respect to any payments to such Lender of interest payable under any of the Credit Documents. Each Lender required to deliver any forms, certificates or other evidence with respect to United States federal income tax withholding matters pursuant to this Section 2.19(c) hereby agrees, from time to time after the initial delivery by such Lender of such forms, certificates or other evidence, whenever a lapse in time or change in circumstances renders such forms, certificates or other evidence obsolete or inaccurate in any material respect, that such Lender shall promptly deliver to Administrative Agent for transmission to the Borrower two new original copies of Internal Revenue Service Form W-8BEN or W-8ECI, or a Certificate re Non-Bank Status and two original copies of Internal Revenue Service Form W-8, as the case may be, properly completed and duly executed by such Lender, and such other documentation required under the Internal Revenue Code and reasonably requested by the Borrower to confirm or establish that such Lender is not subject to deduction or withholding of United States federal income tax with respect to payments to such Lender under the Credit Documents, or notify Administrative Agent and the Borrower of its inability to deliver any such forms, certificates or other evidence. The Borrower shall not be required to pay any additional amount to any Non-US Lender under Section 2.19(b)(iii) if such Lender shall have failed to deliver the forms, certificates or other evidence referred to in the second sentence of this Section 2.19(c), or (2) to notify Administrative Agent and the Borrower of its inability to deliver any such forms, certificates or other evidence, as the case may be; provided, if such Lender shall have satisfied the

requirements of the first sentence of this Section 2.19(c) on the Effective Date or on the date of the Assignment Agreement pursuant to which it became a Lender, as applicable, nothing in this last sentence of Section 2.19(c) shall relieve the Borrower of its obligation to pay any additional amounts pursuant to Section 2.18(a) in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Lender is not subject to withholding as described herein.

2.20 Obligation to Mitigate. Each Lender agrees that, as promptly as practicable after the officer of such Lender responsible for administering its Loans, becomes aware of the occurrence of an event or the existence of a condition that would cause such Lender to become an Affected Lender or that would entitle such Lender to receive payments under Section 2.17, 2.18 or 2.19, it will, to the extent not inconsistent with the internal policies of such Lender and any applicable legal or regulatory restrictions, (i) use reasonable efforts to make, issue, fund or maintain its Tranche B Term Loan Commitments or Loans, including any Affected Loans, through another office of such Lender, or (ii) take such other measures as such Lender may deem reasonable, if as a result thereof the circumstances which would cause such Lender to be an Affected Lender would cease to exist or the additional amounts which would otherwise be required to be paid to such Lender pursuant to Section 2.17, 2.18 or 2.19 would be materially reduced and if, as determined by such Lender in its sole discretion, the making, issuing, funding or maintaining of such Tranche B Term Loan Commitments or Loans through such other office or in accordance with such other measures, as the case may be, would not otherwise adversely affect such Tranche

B Term Loan Commitment or Loans or the interests of such Lender; provided, such

Lender will not be obligated to utilize such other office pursuant to this
Section

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2.20 unless the Borrower agrees to pay all incremental expenses incurred by such Lender as a result of utilizing such other office as described in clause (i) above. A certificate as to the amount of any such expenses payable by the Borrower pursuant to this Section 2.20 (setting forth in reasonable detail the basis for requesting such amount) submitted by such Lender to Borrower (with a copy to Administrative Agent) shall be conclusive absent manifest error.

2.21 Defaulting Lenders. Anything contained herein to the contrary notwithstanding, in the event that any Lender defaults (a "Defaulting Lender") in its obligation to fund (a "Funding Default") any Loan (in each case, a "Defaulted Loan"), then (a) during any such period when such default is continuing with respect to such Defaulting Lender (the "Default Period"), such Defaulting Lender shall not be deemed to be a "Lender" for purposes of voting on any matters (including the granting of any consents or waivers) with respect to any of the Credit Documents; (b) to the extent permitted by applicable law, until such time as the Default Excess with respect to such Defaulting Lender shall have been reduced to zero, any voluntary prepayment of the Loans shall, if the Borrower so directs at the time of making such voluntary prepayment, be applied to the Loans of other Lenders as if such Defaulting Lender had no Loans outstanding and the Tranche A Term Loan Exposure and the Tranche B Term Loan Exposure of such Defaulting Lender were zero, and any mandatory prepayment of the Loans shall, if the Borrower so directs at the time of making such mandatory prepayment, be applied to the Loans of other Lenders (but not to the Loans of such Defaulting Lender); (c) such Defaulting Lender's Tranche B Term Loan Commitment and outstanding Loans shall be excluded for purposes of calculating the commitment fee payable to Lenders in respect of any day during any Default Period with respect to such Defaulting Lender, and such Defaulting Lender shall not be entitled to receive any commitment fee pursuant to Section 2.9 with respect to such Defaulting Lender's Tranche B Term Loan Commitment in respect of any Default Period with respect to such Defaulting Lender; and (d) the total utilization of Tranche B Term Loan Commitments as at any date of determination shall be calculated as if such Defaulting Lender had funded all Defaulted Loans of such Defaulting Lender. No Tranche B Term Loan Commitment of any Lender shall be increased or otherwise affected, and, except as otherwise expressly provided in this Section 2.21, performance by Borrower of its obligations hereunder and the other Credit Documents shall not be excused or otherwise modified as a result of any Funding Default or the operation of this Section 2.21. The rights and remedies against a Defaulting Lender under this Section 2.21 are in addition to other rights and remedies which Borrower or Requisite Lenders may have against such Defaulting Lender with respect to any Funding Default and which Administrative Agent or any Lender may have against such Defaulting Lender with respect to any Funding Default.

2.22 Removal or Replacement of a Lender. Anything contained herein to the contrary notwithstanding, in the event that: (i) any Lender (an "Increased-Cost Lender") shall give notice to the Borrower that such Lender is an Affected Lender or that such Lender is entitled to receive payments under Section 2.17, 2.18 or 2.19, the circumstances which have caused such Lender to be an Affected Lender or which entitle such Lender to receive such payments shall remain in effect, and such Lender shall fail to withdraw such notice within five (5) Business Days after the Borrower's request for such withdrawal; or (ii) any Lender shall become a Defaulting Lender, the Default Period for such Defaulting Lender shall remain in effect, and such Defaulting Lender shall fail to cure the default as a result of which it has become a Defaulting Lender within five (5) Business Days after the Borrower's request that it cure such

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default; or (iii) in connection with any proposed amendment, modification, termination, waiver or consent with respect to any of the provisions hereof as contemplated by Section 10.5(b), the consent of Requisite Lenders shall have been obtained but the consent of one or more of such other Lenders (each a "Non-Consenting Lender") whose consent is required shall not have been obtained; then, with respect to each such Increased-Cost Lender, Defaulting Lender or Non-Consenting Lender (the "Terminated Lender"), the Borrower may, by giving written notice to Administrative Agent and any Terminated Lender of its election to do so, elect to cause such Terminated Lender (and such Terminated Lender hereby irrevocably agrees) to assign its outstanding Loans and its Tranche B Term Loan Commitment, if any, in full to one or more Eligible Assignees (each a "Replacement Lender") in accordance with the provisions of Section 10.6 and Terminated Lender shall pay any fees payable thereunder in connection with such assignment; provided, (1) on the date of such assignment, the Replacement Lender shall pay to Terminated Lender an amount equal to the sum of (A) an amount equal to the principal of, and all accrued interest on, all outstanding Loans of the Terminated Lender, (B) an amount equal to all unreimbursed drawings that have

been funded by such Terminated Lender, together with all then unpaid interest with respect thereto at such time and (C) an amount equal to all accrued, but theretofore unpaid fees owing to such Terminated Lender pursuant to Section 2.9; (2) on the date of such assignment, Borrower shall pay any amounts payable to such Terminated Lender pursuant to Section 2.17(c), 2.18 or 2.19 or otherwise as if it were a prepayment; and (3) in the event such Terminated Lender is a Non-Consenting Lender, each Replacement Lender shall consent, at the time of such assignment, to each matter in respect of which such Terminated Lender was a Non-Consenting Lender. Upon the prepayment of all amounts owing to any Terminated Lender and termination of such Terminated Lender's Tranche B Term Loan Commitment, such Terminated Lender shall no longer constitute a "Lender" for purposes hereof; provided, any rights of such Terminated Lender to indemnification hereunder shall survive as to such Terminated Lender.

SECTION 3. CONDITIONS PRECEDENT

3.1 Conditions to Effectiveness. This Agreement shall become effective upon satisfaction of the following conditions:

(a) Credit Documents. Administrative Agent and Syndication

Agent shall have received sufficient copies of each Credit Document originally executed and delivered by each applicable Credit Party for each Lender and Requisite Lenders and with respect to the Term Loans and Delayed Draw Term Loans, Requisite Class Lenders shall have executed this Agreement; provided that

for purposes of this Section 3.1(a) "Requisite Lenders" and "Requisite Class Lenders" shall have the meanings assigned to those terms in the Existing Credit Agreement.

(b) Organizational Documents; Incumbency. Administrative Agent

and Syndication Agent shall have received (i) sufficient copies of each Organizational Document executed (original in the case of Bylaws) and delivered by each Credit Party, as applicable, and, to the extent applicable, certified as of a recent date by the appropriate governmental official, for each Lender and its counsel, each dated the Effective Date or a recent date prior thereto; (ii) signature and incumbency certificates of the officers of such Person executing the Credit Documents to which it is a party; (iii) resolutions of the Board of Directors or similar governing

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body of each Credit Party approving and authorizing the execution, delivery and performance of this Agreement and the other Credit Documents to which it is a party or by which it or its assets may be bound as of the Effective Date, certified as of the Effective Date by its secretary or an assistant secretary as being in full force and effect without modification or amendment; (iv) a good standing certificate from the applicable Governmental Authority of each Credit Party's jurisdiction of incorporation, organization or formation and in each jurisdiction in which it is qualified as a foreign corporation or other entity to do business, each dated a recent date prior to the Effective Date (other than with respect to Virginia); and (v) such other documents as Administrative Agent, Syndication Agent or Collateral Agent may reasonably request.

(c) Organizational and Capital Structure. The organizational

structure and capital structure of Company and its Subsidiaries shall be as set forth on Schedule 4.2.

(d) Governmental Authorizations and Consents. Each Credit

Party shall have obtained all Governmental Authorizations and all consents of other Persons, in each case that are necessary or advisable in connection with the transactions contemplated by the Credit Documents and each of the foregoing shall be in full force and effect and in form and substance reasonably satisfactory to Syndication Agent and Administrative Agent. All applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the transactions contemplated by the Credit Documents and no action, request for stay, petition for review or rehearing, reconsideration, or appeal with respect to any of the foregoing shall be pending, and the time for any applicable agency to take action to set aside its consent on its own motion shall have expired.

(e) Real Estate Assets. (A) In order to create in favor of

Collateral Agent, for the benefit of Secured Parties, a valid and, subject to any filing and/or recording referred to herein, perfected First Priority security interest in each Existing Mortgaged Property, Collateral Agent shall have received from Company and each applicable Guarantor on the Effective Date, or to the extent Company is not able to satisfy such requirements on the Effective Date, in accordance with Schedule 5.15:

(i) a fully executed and notarized Effective Date Mortgage Modification in proper form for recording in all appropriate places in all applicable jurisdictions, with respect to the Existing Mortgage encumbering each Real Estate Asset listed in Schedule 3.1(e) (A) (each, an "Existing Mortgaged Property");

(ii) (1) endorsements to the existing ALTA mortgagee title insurance policies or unconditional commitments therefor issued by a title company with respect to each Existing Mortgaged Property in form and substance reasonably satisfactory to Collateral Agent and Syndication Agent and (2) evidence satisfactory to Collateral Agent and Syndication Agent that such Credit Party has paid to the title company or to the appropriate governmental authorities all expenses and premiums of the title company and all other sums required in connection with the issuance of such endorsement and all recording and stamp taxes (including mortgage recording and intangible taxes) payable in connection with recording the Effective Date Mortgage Modifications in the appropriate real estate records;

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(B) In order to create in favor of Collateral Agent, for the benefit of Secured Parties, a valid and, subject to any filing and/or recording referred to herein, perfected First Priority security interest in each Effective Date Mortgaged Property, Collateral Agent shall have received from Company and each applicable Guarantor on the Effective Date, or to the extent Company is not able to satisfy such requirements on the Effective Date, in accordance with Schedule 5.15:

(i) a fully executed and notarized Effective Date Mortgage in proper form for recording in all appropriate places in all applicable jurisdictions, encumbering each Real Estate Asset listed in Schedule 3.1(e) (B) (each, an "Effective Date Mortgaged Property");

(ii) an opinion of counsel (which counsel shall be reasonably satisfactory to Collateral Agent) in each state in which an Effective Date Mortgaged Property is located with respect to the enforceability of the form(s) of Mortgages to be recorded in such state and such other matters as Collateral Agent may reasonably request, in each case in form and substance reasonably satisfactory to Collateral Agent;

(iii) in the case of each Leasehold Property that is an Effective Date Mortgaged Property, a Landlord Agreement, and evidence that such Leasehold Property is a Recorded Leasehold Interest;

(iv) (a) ALTA mortgagee title insurance policies or unconditional commitments therefor issued by (a) a title company with respect to each Effective Date Mortgaged Property, in amounts not less than the fair market value of each Effective Date Mortgaged Property, together with a title report issued by a title company with respect thereto, dated not more than thirty (30) days prior to the Effective Date and copies of all recorded documents listed as exceptions to title or otherwise referred to therein, each in form and substance reasonably satisfactory to Collateral Agent and Syndication Agent and (B) evidence satisfactory to Collateral Agent and Syndication Agent that such Credit Party has paid to the title company or to the appropriate governmental authorities all expenses and premiums of the title company and all other sums required in connection with the issuance of such title policy and all recording and stamp taxes (including mortgage recording and intangible taxes) payable in connection with recording the Mortgages for each Effective Date Mortgaged Property in the appropriate real estate records;

(v) evidence of flood insurance with respect to each Flood Hazard Property that is located in a community that participates in the National Flood Insurance Program, in each case in compliance with any applicable regulations of the Board of Governors of the Federal Reserve System, in form and substance reasonably satisfactory to Collateral Agent and Syndication Agent; and

(vi) ALTA surveys of all Effective Date Mortgaged Properties (other than Leasehold Properties) certified to Collateral Agent and dated not more than thirty (30) days prior to the Effective Date.

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(f) Confirmation of Existing Collateral. Credit Parties shall

take such actions as Collateral Agent may reasonably request to confirm the existence of a First Priority Perfected Security interest in the Collateral.

(g) Financial Statements; Effective Date Financial Plan.

Lenders shall have received from Company (i) the Effective Date Financial Statements, (ii) copies of all management reports and management letters prepared for Company and its Subsidiaries by independent public accountants; and (iii) a financial forecast for Company and its Restricted Subsidiaries, for the period from Fiscal Year 2001 through and including Fiscal Year 2005 (detailed by Fiscal Quarters for each such Fiscal Year).

(h) Opinions of Counsel to Credit Parties. Lenders and their

respective counsel shall have received originally executed copies of the favorable written opinions of Gray, Cary, Ware & Freidenrich LLP, counsel for Credit Parties, in the form of Exhibit D and as to such other matters as Administrative Agent or Syndication Agent may reasonably request, and otherwise in form and substance reasonably satisfactory to each of Administrative Agent, Syndication Agent and Collateral Agent and their counsel, dated the Effective Date (and each Credit Party hereby instructs such counsel to deliver such opinions to Agents and Lenders).

(i) Opinions of Counsel to Syndication Agent. Lenders shall

have received originally executed copies of one or more favorable written opinions of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Syndication Agent, Administrative Agent and Collateral Agent and addressed to the Agents and the Lenders dated as of the Effective Date, in form and substance reasonably satisfactory to Syndication Agent.

(j) Amendment and Restatement Fee. Company shall have paid to

Administrative Agent to be distributed to each Lender executing this Agreement a fee equal to 0.25% of the sum of such Lender's Tranche A Term Loan and Tranche B Term Loan Commitment.

(k) Borrowing Base Certificate and Effective Date Certificate.

Company shall have delivered to Syndication Agent and Administrative Agent an originally executed Borrowing Base Certificate and Effective Date Certificate, together with all attachments thereto.

(l) Material Contracts. Company and its Subsidiaries shall

have made available to Syndication Agent and Administrative Agent, or their counsel copies of all Material Contracts in effect on the Effective Date.

(m) Material Contract Consents. Company shall have used

reasonable best efforts to obtain a consent to the collateral assignment to Administrative Agent, Syndication Agent and Lenders of rights existing under all Material Contracts listed on Schedule 4.17(a), such consent in form and substance reasonably satisfactory to Administrative Agent and Syndication Agent.

(n) No Litigation. Syndication Agent and Administrative Agent

shall have received a certificate on behalf of Company from an Authorized Officer of Company, in

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form and substance reasonably satisfactory to Syndication Agent and Administrative Agent, certifying that there are no actions, suits, investigations, litigations or proceedings or other legal or regulatory developments, pending or threatened in any court or before any arbitrator or Governmental Authority that, singly or in the aggregate, materially impairs any of the transactions contemplated by the Credit Documents, or that could have a Material Adverse Effect.

(o) Amendments to San Jose Ground Lease. Company shall have

delivered to Lenders copies of the modification to the San Jose Ground Lease providing for reductions of not less than \$10,000,000 with respect to the maximum potential liability with respect to letters of credit otherwise required thereby and Agents shall be reasonably satisfied with the terms of such amendment.

(p) Transfer of Certain Cash and Cash Equivalents. All Cash

and Cash Equivalents (except for approximately 2,000 left in the Company's UK Subsidiary's bank account to cover local currency bank fees) owned, held, or maintained by Unrestricted Subsidiaries as of the Effective Date shall be transferred to Company or OpCo and deposited in accounts that satisfy the requirements of the Pledge and Security Agreement.

(q) Prepayments of Existing Loans. Company and OpCo shall have

made prepayments of the Existing Loans outstanding as of the Effective Date in an aggregate principal amount of \$50,000,000 and such prepayments shall have been applied pro rata to prepay such Existing Loans.

(r) Other transactions. Agents shall be satisfied with the

status of the Unrestricted Subsidiaries' assets and operations.

(s) Payment of Accrued Fees and Expenses. Company and OpCo

shall have paid all fees and expenses accrued pursuant to the Existing Credit Agreement through the Effective Date.

(t) Completion of Proceedings. All partnership, corporate and

other proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incidental thereto not previously found acceptable by Administrative Agent or Syndication Agent and its counsel shall be satisfactory in form and substance to Administrative Agent and Syndication Agent and such counsel, and Administrative Agent, Syndication Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as Administrative Agent or Syndication Agent may reasonably request.

Each Lender, by delivering its signature page to this Agreement as of the Effective Date, shall be deemed to have acknowledged receipt of, and consented to and approved, each Credit Document and each other document required to be approved by any Agent, Requisite Lenders or Lenders, as applicable, on or prior to the Effective Date.

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3.2 Conditions to Each Credit Extension.

(a) Conditions Precedent. The obligation of each Lender to

make a Tranche B Term Loan, on any Credit Date, is subject to the satisfaction, or waiver in accordance with Section 10.5, of the following conditions precedent:

(i) Administrative Agent shall have received a fully executed and delivered Funding Notice and a Borrowing Base Certificate;

(ii) after making any Tranche B Term Loans requested on such Credit Date, the outstanding Tranche B Term Loans shall not exceed the Tranche B Term Loan Commitments then in effect and the Total Utilization Exposure shall not exceed the Borrowing Base as set forth in the Borrowing Base Certificate delivered in connection with the making of such Tranche B Term Loans;

(iii) no injunction or other restraining order shall have been issued and no hearing to cause an injunction or other restraining order to be issued shall be pending or noticed with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated hereby or the making of any Loan;

(iv) as of such Credit Date, the representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects on and as of that Credit Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date; and

(v) as of such Credit Date, no event shall have occurred and be continuing or would result from the consummation of the applicable Credit Extension that would constitute an Event of Default or a Default.

(b) Notices. Any Notice shall be executed by an Authorized

Officer in a writing delivered to Administrative Agent. In lieu of delivering a Notice, the Borrower may give Administrative Agent telephonic notice by the required time of any proposed borrowing, or conversion/continuation, as the case may be; provided each such notice shall be promptly confirmed in writing by

delivery of the applicable Notice to Administrative Agent on or before the applicable date of borrowing, or continuation/conversion. Neither Administrative Agent, nor any Lender shall incur any liability to any Credit Party in acting upon any telephonic notice referred to above that Administrative Agent believes

in good faith to have been given by a duly authorized officer or other person

authorized on behalf of the Borrower or for otherwise acting in good faith.

SECTION 4. REPRESENTATIONS AND WARRANTIES

In order to induce Lenders and Agents to enter into this Agreement and to make each Credit Extension to be made thereby, each Credit Party represents and warrants to each

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Lender and Agents, on the Effective Date and on each Credit Date, that the following statements are true and correct:

4.1 Organization; Requisite Power and Authority; Qualification. Each of the Credit Parties (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization as identified in Schedule 4.1, (b) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Credit Documents to which it is a party and to carry out the transactions contemplated thereby, and (c) is qualified to do business and in good standing in every jurisdiction where its assets are located and wherever necessary to carry out its business and operations, except in jurisdictions where the failure to be so qualified or in good standing has not had, and could not be reasonably expected to have, a Material Adverse Effect.

4.2 Capital Stock and Ownership. The Capital Stock of each of the Credit Parties has been duly authorized and validly issued and is fully paid and non-assessable. Except as set forth on Schedule 4.2, as of the date hereof, there is no existing option, warrant, call, right, commitment or other agreement to which any of the Credit Parties, other than Company, is a party requiring, and there is no membership interest or other Capital Stock of any of the Credit Parties, other than Company, outstanding which upon conversion or exchange would require, the issuance by any of the Credit Parties, other than Company, of any additional membership interests or other Capital Stock of any of the Credit Parties, other than Company, or other Securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase, a membership interest or other Capital Stock of any of the Credit Parties, other than Company. Schedule 4.2 correctly sets forth the ownership interest of the Credit Parties in their respective Subsidiaries as of the Effective Date.

4.3 Due Authorization. The execution, delivery and performance of the Credit Documents have been duly authorized by all necessary action on the part of each Credit Party that is a party thereto.

4.4 No Conflict. The execution, delivery and performance by the Credit Parties of the Credit Documents to which they are parties and the consummation of the transactions contemplated by the Credit Documents do not and will not violate any provision of any law or any governmental rule or regulation applicable to any of the Credit Parties, any of the Organizational Documents of any of the Credit Parties, or any order, judgment or decree of any court or other agency of government binding on any of the Credit Parties; conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of any of the Credit Parties; result in or require the creation or imposition of any Lien upon any of the properties or assets of any of the Credit Parties (other than any Liens created under any of the Credit Documents in favor of Collateral Agent, on behalf of Secured Parties); or require any approval of stockholders, members or partners or any approval or consent of any Person under any Contractual Obligation of any of the Credit Parties, except for such approvals or consents which will be obtained on or before the Closing Date and disclosed in writing to Lenders.

4.5 Governmental Consents. The execution, delivery and performance by Credit Parties of the Credit Documents to which they are parties and the consummation of the

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transactions contemplated by the Credit Documents do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any Governmental Authority except as otherwise set forth on Schedule 4.5, and except for filings and recordings with respect to the Collateral to be made, or otherwise delivered to Collateral Agent for filing and/or recordation, on or before the Effective Date.

4.6 Binding Obligation. Each Credit Document has been duly executed and delivered by each Credit Party that is a party thereto and is the legally valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

4.7 Effective Date Financial Statements. The Effective Date

Financial Statements were prepared in conformity with GAAP and fairly present, in all material respects, the financial position, on a consolidated basis, of the Persons described in such financial statements as at the respective dates thereof and the results of operations and cash flows, on a consolidated basis, of the entities described therein for each of the periods then ended, subject, in the case of any such unaudited financial statements, to changes resulting from audit and normal year-end adjustments. As of the Effective Date, neither Company nor any of its Subsidiaries has any contingent liability or liability for taxes, long-term lease or unusual forward or long-term commitment that is not reflected in the Effective Date Financial Statements or the notes thereto and which in any such case is material in relation to the business, operations, properties, assets, condition (financial or otherwise) or prospects of Company and any of its Subsidiaries taken as a whole.

4.8 Projections. On and as of the Effective Date, the financial forecast of Company and its Restricted Subsidiaries delivered pursuant to Section 3.1(g) (the "Effective Date Financial Plan") is based on good faith estimates and assumptions made by the management of Company; provided, the

Effective Date Financial Plan is not to be viewed as representing facts and that actual results during the period or periods covered by the Effective Date Financial Plan may differ from Effective Date Financial Plan and that the differences may be material; provided further, as of the Effective Date,

management of Company believed that the Effective Date Financial Plan were reasonable and attainable.

4.9 No Material Adverse Change. Since December 31, 2000, no event or change has occurred that has caused or evidences, either in any case or in the aggregate, a Material Adverse Effect.

4.10 No Restricted Junior Payments. Since December 31, 2000, none of the Credit Parties has directly or indirectly declared, ordered, paid or made, or set apart any sum or property for, any Restricted Junior Payment or agreed to do so except as permitted pursuant to Section 6.4.

4.11 Adverse Proceedings, etc. There are no Adverse Proceedings, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect. None of the Credit Parties is in violation of any applicable laws (including

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Environmental Laws) that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, or is subject to or in default with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

4.12 Payment of Taxes. Except as otherwise permitted under Section 5.3, all tax returns and reports of Company and its Subsidiaries required to be filed by any of them have been timely filed, and all taxes shown on such tax returns to be due and payable and all assessments, fees and other governmental charges upon Company and its Subsidiaries and upon their respective properties, assets, income, businesses and franchises which are due and payable have been paid when due and payable. Company knows of no proposed tax assessment against Company or any of its Subsidiaries which is not being actively contested by Company or such Subsidiary in good faith and by appropriate proceedings; provided, such reserves or other appropriate provisions, if any, as shall be

required in conformity with GAAP shall have been made or provided therefor.

4.13 Properties.

(a) Title. Each Credit Party has (i) good, sufficient and

legal title to (in the case of fee interests in real property), (ii) valid leasehold interests in (in the case of leasehold interests in real or personal property), and (iii) good title to (in the case of all other personal property), all of their respective properties and assets reflected in their respective Effective Date Financial Statements referred to in Section 4.7 and in the most recent financial statements delivered pursuant to Section 5.1, in each case except for assets disposed of since the date of such financial statements in the ordinary course of business or as otherwise permitted under Section 6.9. Except as permitted by this Agreement, all such properties and assets are free and clear of Liens.

(b) Real Estate. As of the Effective Date, Schedule 4.13

contains a true, accurate and complete list of (i) all Real Estate Assets, (ii) all leases, subleases or assignments of leases (together with all amendments, modifications, supplements, renewals or extensions of any thereof) affecting

each Real Estate Asset of any Credit Party, regardless of whether such Credit Party is the landlord or tenant (whether directly or as an assignee or successor in interest) under such lease, sublease or assignment and (iii) all basic rental lease payment obligations of the Company and its Subsidiaries with respect to their domestic IBX Facilities. Except as specified in Schedule 4.13, each agreement listed in clause (ii) of the immediately preceding sentence is in full force and effect and Company does not have knowledge of any default that has occurred and is continuing thereunder, and each such agreement constitutes the legally valid and binding obligation of each applicable Credit Party, enforceable against such Credit Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles.

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4.14 Collateral.

(a) Attachment and Perfection. The execution and delivery of

the Collateral Documents by Credit Parties, together with the actions taken on or prior to the date hereof, are effective to create in favor of Collateral Agent, on behalf of Secured Parties, as security for their respective Obligations, a valid and perfected First Priority Lien on all of the Collateral, and all filings and other actions necessary or desirable to perfect and maintain the perfection and First Priority status of such Liens have been duly made or taken and remain in full force and effect, other than (i) the actions required under federal law to register and record interests in intellectual property and (ii) the periodic filing of UCC continuation statements in respect of UCC financing statements filed by or on behalf of Collateral Agent.

(b) Governmental Approvals, Etc. No authorization, approval or

other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for either (i) the pledge or grant by any Credit Party of the Liens purported to be created in favor of Collateral Agent pursuant to any of the Collateral Documents or (ii) the exercise by Collateral Agent of any rights or remedies in respect of any Collateral (whether specifically granted or created pursuant to any of the Collateral Documents or created or provided for by applicable law), except for filings or recordings as may be required in connection with the disposition of any Investment Related Property, or by laws generally affecting the offering and sale of Securities.

(c) Filings. Except with respect to any Permitted Lien and

such as may have been filed in favor of Collateral Agent, no effective UCC financing statement, fixture filing or other instrument similar in effect covering all or any part of the Collateral is on file in any filing or recording office.

(d) Disclosure. All information supplied to Collateral Agent

by or on behalf of any Credit Party with respect to any of the Collateral (in each case taken as a whole with respect to any particular Collateral) is accurate and complete in all material respects.

(e) Cash and Cash Equivalents. Without limiting the generality

to the foregoing, representation and warranties, each Credit Party represents and warrants that all of its Cash and Cash Equivalents shall be maintained in accounts in existence as of the Effective Date in which the Collateral Agent has a First Priority perfected security interest or such other accounts as may be pre-approved by the Collateral Agent, and in which Collateral Agent has a First Priority perfected security interest.

4.15 Environmental Matters. Neither any of the Credit Parties nor any of their respective Facilities or operations are subject to any outstanding written order, consent decree or settlement agreement with any Person relating to any Environmental Law, any Environmental Claim, or any Hazardous Materials Activity that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. None of the Credit Parties has received any letter or request for information under Section 104 of the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. (S) 9604) or any comparable state law. There are and, to each of the Credit Parties' knowledge, have been, no conditions, occurrences, or Hazardous Materials Activities which could reasonably be expected

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to form the basis of an Environmental Claim against any of the Credit Parties that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Neither any of the Credit Parties nor, to any Credit Party's knowledge, any predecessor of any of the Credit Parties has filed any

notice under any Environmental Law indicating past or present treatment of Hazardous Materials at any Facility, and none of the Credit Parties' operations involves the generation, transportation, treatment, storage or disposal of hazardous waste, as defined under 40 C.F.R. Parts 260-270 or any state equivalent. Compliance with all current or reasonably foreseeable future requirements pursuant to or under Environmental Laws could not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. No event or condition has occurred or is occurring with respect to any of the Credit Parties or their respective Facilities relating to any Environmental Law, any Release of Hazardous Materials, or any Hazardous Materials Activity which individually or in the aggregate has had, or could reasonably be expected to have, a Material Adverse Effect.

4.16 No Defaults. None of the Credit Parties is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any of its Contractual Obligations, and no condition exists which, with the giving of notice or the lapse of time or both, could constitute such a default, except where the consequences, direct or indirect, of such default or defaults, if any, could not reasonably be expected to have a Material Adverse Effect.

4.17 Material Contracts. (a) Schedule 4.17(a) contains a true, correct and complete list of all the Material Contracts in effect on the Effective Date, and except as described thereon, all such Material Contracts are in full force and effect and no material defaults currently exist thereunder or under any lease governing Leasehold Property.

(b) Each Credit Party owns or possesses all the patents, trademarks, service marks, trade names, copyrights and licenses, and all rights with respect to the foregoing, necessary for the conduct of its business as presently conducted without any known conflict with the rights of others. Schedule 4.17(b) accurately and completely lists all Intellectual Property owned or possessed by or licensed to such Credit Party.

4.18 Governmental Regulation. None of the Credit Parties is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940 or under any other federal or state statute or regulation which may limit its ability to incur Indebtedness or which may otherwise render all or any portion of the Obligations unenforceable. None of the Credit Parties is a "registered investment company" or a company "controlled" by a "registered investment company" or a "principal underwriter" of a "registered investment company" as such terms are defined in the Investment Company Act of 1940.

4.19 Margin Stock. None of the Credit Parties is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the Loans made to such Credit Party will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose that violates, or is

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inconsistent with, the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System.

4.20 Employee Matters. None of the Credit Parties is engaged in any unfair labor practice that could reasonably be expected to have a Material Adverse Effect. There is (a) no unfair labor practice complaint pending against any of the Credit Parties, or to the best knowledge of the Credit Parties, threatened against any of them before the National Labor Relations Board and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement that is so pending against any of the Credit Parties or to the best knowledge of the Credit Parties, threatened against any of them, (b) no strike or work stoppage in existence or threatened involving any of the Credit Parties that could reasonably be expected to have a Material Adverse Effect, and (c) to the best knowledge of the Credit Parties, no union representation question existing with respect to the employees of any of the Credit Parties and, to the best knowledge of the Credit Parties, no union organization activity that is taking place, except (with respect to any matter specified in clause (a), (b) or (c) above, either individually or in the aggregate) such as is not reasonably likely to have a Material Adverse Effect.

4.21 Employee Benefit Plans. Each of the Credit Parties and each of their respective ERISA Affiliates are in compliance with all applicable provisions and requirements of ERISA and the Internal Revenue Code and the regulations and published interpretations thereunder with respect to each Employee Benefit Plan, and have performed all their obligations under each Employee Benefit Plan. Each Employee Benefit Plan which is intended to qualify under Section 401(a) of the Internal Revenue Code is so qualified. No material liability to the PBGC (other than required premium payments), the Internal Revenue Service, any Employee Benefit Plan or any Trust established under Title IV of ERISA has been or is expected to be incurred by any of the Credit Parties

or any of their ERISA Affiliates. No ERISA Event has occurred or is reasonably expected to occur. Except to the extent required under Section 4980B of the Internal Revenue Code or similar state laws, no Employee Benefit Plan provides health or welfare benefits (through the purchase of insurance or otherwise) for any retired or former employee of any of the Credit Parties or any of their respective ERISA Affiliates. As of the most recent valuation date for any Pension Plan, the amount of unfunded benefit liabilities (as defined in Section 4001(a)(18) of ERISA), individually or in the aggregate for all Pension Plans (excluding for purposes of such computation any Pension Plans with respect to which assets exceed benefit liabilities), does not exceed \$500,000. As of the most recent valuation date for each Multiemployer Plan for which the actuarial

report is available, the potential liability of the Credit Parties and their respective ERISA Affiliates for a complete withdrawal from such Multiemployer Plan (within the meaning of Section 4203 of ERISA), when aggregated with such potential liability for a complete withdrawal from all Multiemployer Plans, based on information available pursuant to Section 4221(e) of ERISA, does not exceed \$1,500,000. Each of the Credit Parties and each of their ERISA Affiliates have complied with the requirements of Section 515 of ERISA with respect to each Multiemployer Plan and are not in material "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan.

4.22 Solvency. Each Credit Party is and, upon the incurrence of any Obligation by such Credit Party on any date on which this representation and warranty is made, will be, Solvent.

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4.23 Compliance with Statutes, etc. Each of the Credit Parties is in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all Governmental Authorities, in respect of the conduct of its business and the ownership of its property (including compliance with all applicable Environmental Laws with respect to any Real Estate Asset or governing its business and the requirements of any permits issued under such Environmental Laws with respect to any such Real Estate Asset or the operations of Company or any of its Subsidiaries), except such non-compliance that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

4.24 Disclosure. No representation or warranty of any Credit Party contained in any Credit Document or, except as set forth on Schedule 4.24, in any other documents, certificates or written statements furnished to Lenders by or on behalf of any Credit Party for use in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact (known to each Credit Party, in the case of any document not furnished by any of them) necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made. Any projections and pro forma financial information contained in such materials are based upon good faith estimates and assumptions believed by each Credit Party to be reasonable at the time made, it being recognized by Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ from the projected results. There are no facts known (or which should upon the reasonable exercise of diligence be known) to any Credit Party (other than matters of a general economic nature) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect and that have not been disclosed herein or in such other documents, certificates and statements furnished to Lenders for use in connection with the transactions contemplated hereby.

SECTION 5. AFFIRMATIVE COVENANTS

Each Credit Party covenants and agrees that so long as any Tranche B Term Loan Commitment is in effect and until payment in full of all Obligations each Credit Party shall perform, and shall cause each of its Restricted Subsidiaries to perform, all covenants in this Section 5.

5.1 Financial Statements and Other Reports. Company will deliver to Administrative Agent and Lenders:

(a) Monthly Reports. As soon as available, and in any event

within thirty (30) days after the end of each month ending after the Closing Date, (i) the consolidated balance sheet of Company and its Restricted Subsidiaries as at the end of such month, (ii) the related consolidated statements of income and cash flows of Company and its Restricted Subsidiaries and (iii) a statement setting forth the location and amount of all Cash and Cash Equivalents of Company and its Restricted Subsidiaries, setting forth in each case under clauses (i), (ii) and (iii) in comparative form reasonably acceptable to the Agents and Joint Lead Arrangers the corresponding figures for the corresponding periods of the previous Fiscal Year and the corresponding figures from the Financial Plan for the current Fiscal Year, all in reasonable detail, together with a Financial Officer Certification with respect thereto;

(b) Quarterly Financial Statements. As soon as available, and

 in any event within thirty (30) days after the end of the first three Fiscal Quarters of each Fiscal Year and within sixty (60) days after the end of the last Fiscal Quarter of each Fiscal Year, the consolidated and consolidating balance sheet of Company and its Restricted Subsidiaries as at the end of such Fiscal Quarter and the related consolidated (and with respect to statements of income, consolidating) statements of income and cash flows of Company and its Restricted Subsidiaries for such Fiscal Quarter, setting forth in each case in comparative form reasonably acceptable to the Joint Lead Arrangers the corresponding figures for the corresponding periods of the previous Fiscal Year and the corresponding figures from the Financial Plan for the current Fiscal Year and the Closing Financial Plan, together with (1) a Financial Officer Certification, (2) a supplement, reasonably acceptable to the Joint Lead Arrangers, to the publicly filed Narrative Report discussing additional material information pertaining specifically to the financial statements listed above as distinguished from the analogous publicly filed financial statements of Company and its Subsidiaries and (3) revised Schedules 4.1 and 4.2 (if necessary) reflecting all changes in the organizational structure and capital structure of Company and its Restricted Subsidiaries since the delivery of the last quarterly financial information, which revised Schedules 4.1 and 4.2 will be deemed to amend the then-existing Schedules 4.1 and 4.2 for all purposes under this Agreement;

(c) Annual Financial Statements. As soon as available, and in

 any event within sixty (60) days after the end of each Fiscal Year, (i) the consolidated and consolidating balance sheet of Company and its Restricted Subsidiaries as at the end of such Fiscal Year and the related consolidated (and with respect to statements of income, consolidating) statements of income, stockholders' equity and cash flows of Company and its Restricted Subsidiaries for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the previous Fiscal Year and the corresponding figures from the Financial Plan for the Fiscal Year covered by such financial statements and the Closing Financial Plan, in reasonable detail, together with a Financial Officer Certification and a Narrative Report with respect thereto; (ii) with respect to each consolidated financial statements a report thereon of PricewaterhouseCoopers LLP or other independent certified public accountants of recognized national standing selected by Company, and reasonably satisfactory to Administrative Agent (which report shall be unqualified as to going concern and scope of audit, and shall state that such consolidated financial statements fairly present, in all material respects, the consolidated financial position of Company and its Restricted Subsidiaries, as at the dates indicated and the results of their operations and their cash flows for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except as otherwise disclosed in such financial statements) and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards) together with a written statement by such independent certified public accountants stating that their audit examination has included a review of the terms of Sections 6.6 and 6.7 the Credit Documents, whether, in connection therewith, any condition or event that constitutes a Default or an Event of Default under Section 6.6 or 6.7 has come to their attention and, if such a condition or event has come to their attention, specifying the nature and period of existence thereof, and that nothing has come to their attention that causes them to believe that the information contained in any Compliance Certificate is not correct or that the matters set forth in such Compliance Certificate are not stated in accordance with the terms hereof and (iii) revised Schedules 4.1 and 4.2 (if necessary) reflecting all changes in the organizational structure and

capital structure of Company and its Restricted Subsidiaries since the delivery of the last quarterly financial information, which revised Schedules 4.1 and 4.2 will be deemed to amend the then-existing Schedules 4.1 and 4.2 for all purposes under this Agreement; provided, that Company and its Restricted Subsidiaries shall not change their organizational structure or state of organization, without the prior written consent of the Requisite Lenders.

(d) Compliance Certificate. Together with each delivery of

 financial statements of Company and its Restricted Subsidiaries pursuant to Sections 5.1(a), 5.1(b) and 5.1(c) and, with respect to compliance with Section 6.6(a) for the month of April 2002, by May 15, 2002, a completed Compliance Certificate duly executed by an Authorized Officer;

(e) Borrowing Base Certificate. (i) On the Effective Date,

 (ii) within thirty (30) days after the end of each Fiscal Quarter, (iii) concurrently with each Notice of Borrowing and (iv) concurrently with any prepayment pursuant to Section 2.12(d), a duly executed and completed

certificate of an Authorized Officer ("Borrowing Base Certificate") in substantially the form of Exhibit L setting forth the Borrowing Base as of the Effective Date, the last day of each Fiscal Quarter, the date of such Notice of Borrowing, or other date as may be reasonably requested by Administrative Agent, Syndication Agent or Collateral Agent, each such Certificate to be certified as complete and correct on behalf of Company by an Authorized Officer of Company, together with such supporting documentation and additional reports with respect to the Borrowing Base as Administrative Agent shall reasonably request;

(f) Statements of Reconciliation after Change in Accounting

Principles. If, as a result of any change in accounting principles and policies

from those used in the preparation of the Effective Date Financial Statements, the consolidated financial statements of Company and its Restricted Subsidiaries delivered pursuant to Section 5.1(b) or 5.1(c) will differ in any material respect from the consolidated financial statements that would have been delivered pursuant to such subdivisions had no such change in accounting principles and policies been made, then, together with the first delivery of such financial statements after such change, one or more a statements of

reconciliation for all such prior financial statements in form and substance satisfactory to Administrative Agent;

(g) SEC Reports. Promptly upon their becoming available,

copies of (i) all financial statements, reports, notices and proxy statements sent or made available generally by Company to its security holders acting in such capacity or by any Subsidiary of Company to its security holders other than Company or another Subsidiary of Company, (ii) all regular and periodic reports (but not including, unless requested by Administrative Agent, routine reports regularly filed with the FCC and state commissions with jurisdiction over telecommunications matters) and all registration statements (other than on Form S-8 or a similar form) and prospectuses, if any, filed by Company or any of its Restricted Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority, and (iii) all press releases and other statements made available generally by Company or any of its Restricted Subsidiaries to the public concerning material developments in the business of Company or any of its Restricted Subsidiaries;

(h) Notice of Default. Promptly upon any officer of Company

obtaining knowledge (i) of any condition or event that constitutes a Default or an Event of

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Default or that notice has been given to Company with respect thereto; (ii) that any Person has given any notice to Company or any of its Subsidiaries or taken any other action with respect to any event or condition set forth in Section 8.1(b); (iii) of any condition or event of a type required to be disclosed in a current report on Form 8-K of the Securities and Exchange Commission; or (iv) of the occurrence of any event or change that has caused or evidences, either in any case or in the aggregate, a Material Adverse Effect, a certificate of its Authorized Officers specifying the nature and period of existence of such condition, event or change, or specifying the notice given and action taken by any such Person and the nature of such claimed Event of Default, Default, default, event or condition, and what action Company has taken, is taking and proposes to take with respect thereto;

(i) Notice of Litigation. Promptly upon any officer of Company

obtaining knowledge of the institution of, or non-frivolous threat of, any Adverse Proceeding not previously disclosed in writing by Company to Lenders, or any material development in any Adverse Proceeding that, in the case of either (i) or (ii) if adversely determined, could be reasonably expected to have a Material Adverse Effect, or seeks to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated hereby or any of the other Credit Documents, written notice thereof together with such other information as may be reasonably available to Company to enable Lenders and their counsel to evaluate such matters;

(j) ERISA. Promptly upon becoming aware of the occurrence of

or forthcoming occurrence of any ERISA Event, a written notice specifying the nature thereof, what action Company, any of its Restricted Subsidiaries or any of their respective ERISA Affiliates has taken, is taking or proposes to take with respect thereto and, when known, any action taken or threatened by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto; and with reasonable promptness, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) filed by Company, any of its Restricted Subsidiaries or any of their respective ERISA Affiliates with the Internal Revenue Service with respect to each Pension Plan; all notices received

by Company, any of its Restricted Subsidiaries or any of their respective ERISA Affiliates from a Multiemployer Plan sponsor concerning an ERISA Event; and copies of such other documents or governmental reports or filings relating to any Employee Benefit Plan as Administrative Agent shall reasonably request;

(k) Financial Plan. As soon as available and in any event no

later than sixty (60) days following the beginning of each Fiscal Year, a consolidated plan and financial forecast for such Fiscal Year and the lesser of the next three (3) succeeding Fiscal Years and the period remaining through December 15, 2005 (a "Financial Plan"), including a forecasted consolidated balance sheet and forecasted consolidated statements of income and cash flows of Company and its Restricted Subsidiaries for each such Fiscal Year, together with pro forma Compliance Certificates for each such Fiscal Year and an explanation of the assumptions on which such forecasts are based and forecasted consolidated statements of income and cash flows of Company and its Restricted Subsidiaries for each month of each such Fiscal Year, together with an explanation of the assumptions on which such forecasts are based;

(l) Insurance Report. As soon as practicable and in any event

by the last day of each Fiscal Year, commencing on December 31, 2001, a report in form and substance

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satisfactory to Administrative Agent and Collateral Agent outlining all material insurance coverage maintained as of the date of such report by Company and its Restricted Subsidiaries and all material insurance coverage planned to be maintained by Company and its Restricted Subsidiaries in the immediately succeeding Fiscal Year;

(m) Notice of Change in Board of Directors. With reasonable

promptness, written notice of any change in the board of directors (or similar governing body) of Company or OpCo;

(n) Annual UCC Questionnaire. By the last day of each Fiscal

Year, commencing on December 31, 2001, a completed UCC Questionnaire in form and substance satisfactory to Collateral Agent;

(o) Notice Regarding Material Contracts. Promptly, and in any

event within ten (10) Business Days (i) after any Material Contract of Company or any of its Restricted Subsidiaries is terminated prior to its scheduled term or amended in a manner that is materially adverse to Company or such Restricted Subsidiary, as the case may be, or (ii) any new Material Contract is entered into, a written statement describing such event, with copies of such material amendments or new contracts, delivered to Administrative Agent (to the extent (1) such information is not disclosed or incorporated by reference in any filing with the Securities and Exchange Commission, and (2) such delivery is permitted by the terms of any such Material Contract, provided, no such prohibition on delivery shall be effective if it were bargained for by Company or its applicable Restricted Subsidiary with the intent of avoiding compliance with this Section 5.1(o)), and an explanation of any actions being taken with respect thereto;

(p) Environmental Reports and Audits. As soon as practicable

following receipt thereof, copies of all environmental audits and reports with respect to environmental matters at any Facility or which relate to any environmental liabilities of Company or its Restricted Subsidiaries which, in any such case, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect;

(q) Additional Reporting Requirements. Within thirty (30) days

after the last day of each month, such information described on Schedule 5.1 for the month most recently ended.

(r) Notice of Certain Payments; Cash Balances. On the date any

Credit Party makes a payment or series of related payments or reimbursements or series of related reimbursements to any Person or related group of Persons (other than to landlords under leases existing on the Effective Date or to a Credit Party or the Lenders pursuant to the terms of this Agreement) or otherwise transfers Cash or Cash Equivalents, in any such case, in an aggregate amount equal to or greater than \$10,000,000 per transfer or in a series of related transfers, Company shall give notice thereof to Lenders. Upon the request of any Agent at any time, Company shall provide detailed information regarding Company's and its Restricted Subsidiaries's Cash and Cash Equivalents, including, without limitation amounts and locations of such Cash and Cash Equivalents.

(s) Other Information. With reasonable promptness, such other

 information and data with respect to Company or any of its Subsidiaries as from time to time may be reasonably requested by Administrative Agent, Syndication Agent, Collateral Agent or any Lender.

5.2 Existence. Except as otherwise permitted under Section 6.9, each Credit Party will, and will cause each of its Restricted Subsidiaries to, at all times preserve and keep in full force and effect its existence and all rights and franchises, licenses and permits material to its business; provided, no

 Credit Party or any of its Restricted Subsidiaries shall be required to preserve any such existence, right or franchise, licenses and permits if such Person's board of directors (or similar governing body) shall determine in good faith that the preservation thereof is no longer desirable in the conduct of the business of such Person, and that the loss thereof is not disadvantageous in any material respect to such Person or to Lenders.

5.3 Payment of Taxes and Claims. Each Credit Party will, and will cause each of its Subsidiaries to, pay all Taxes imposed upon it or any of its properties or assets or in respect of any of its income, businesses or franchises before any penalty or fine accrues thereon, and all claims (including claims for labor, services, materials and supplies) for sums that have become due and payable and that by law have or may become a Lien upon any of its properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided, no such Tax or claim need be paid if it

 is being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as adequate reserve or other appropriate provision, as shall be required in conformity with GAAP shall have been made therefor, and in the case of a charge or claim which has or may become a Lien against any of the Collateral, such contest proceedings conclusively operate to stay the sale of any portion of the Collateral to satisfy such Tax or claim. No Credit Party will, nor will it permit any of its Subsidiaries to, file or consent to the filing of any consolidated income Tax return with any Person (other than Company or any of its Subsidiaries).

5.4 Maintenance of Properties. Each Credit Party will, and will cause each of its Subsidiaries to, maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all material properties used or useful in the business of any Credit Party and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof, and each Credit Party shall defend any Collateral against all Persons at any time claiming an interest therein.

5.5 Insurance. Company will maintain or cause to be maintained, with financially sound and reputable insurers, such comprehensive general liability insurance, third party property damage insurance, business interruption insurance, workers' compensation and employer's liability insurance and casualty insurance with respect to liabilities, losses or damage in respect of the assets, properties and businesses of Company and its Restricted Subsidiaries as may be satisfactory to the Collateral Agent, but in any event not less than as shown on Schedule 5.5 hereto and made a part hereof, and in each case in such amounts (giving effect to self-insurance in amounts acceptable to the Collateral Agent), with such deductibles and limits, covering such risks and otherwise on such terms and conditions as shall be acceptable to the Collateral Agent. Without limiting the generality of the foregoing, Company will maintain or cause to be maintained: (a) flood insurance with respect to each Flood Hazard Property that is

located in a community that participates in the National Flood Insurance Program, in each case in compliance with any applicable regulations of the Board of Governors of the Federal Reserve System, (b) insurance with respect to property owned by third parties and maintained at IBX Facilities with such insurance companies, in such amounts, with such deductibles, and covering such risks as are acceptable to the Collateral Agent, Administrative Agent and Syndication Agent and (c) replacement value casualty insurance on an all-risks basis on the Collateral under such policies of insurance, with such insurance companies, in such amounts, with such deductibles, and covering such risks and otherwise on such terms and conditions as are acceptable to the Collateral Agent; (d) with respect to each policy of insurance, a waiver of subrogation in favor of the Collateral Agent and the Lenders; and (e) policies of insurance that (i) insure the interests of the Collateral Agent and the Lenders and their respective Affiliates regardless of any breach of or violation by any Credit Party of any warranties, declarations or conditions contained therein, (ii) contain cross liability clauses, (iii) provide that the insurance shall be primary and without right of contribution from any other insurance which may be available to any of the Collateral Agent or Lenders, (iv) provide that the

Collateral Agent and the Lenders have no responsibility, obligation or liability for premiums, commissions, assessments or calls in connection with such insurance. Each such policy of liability insurance shall name each of the Collateral Agent and the Lenders and their respective Affiliates, as additional insureds thereunder and in the case of each business interruption and casualty insurance policy, contain a standard lender's loss payable clause or endorsement, satisfactory in form and substance to Collateral Agent, that names Collateral Agent, on behalf of Lenders, as the loss payee thereunder for any covered loss in excess of \$500,000. Each such policy of insurance shall provide for at least thirty (30) days' prior written notice to Collateral Agent of any reduction of coverage or cancellation of such policy. On the Closing Date and within thirty (30) days prior to each anniversary of the policies of insurance required to be maintained pursuant to this Section 5.5, the Borrower shall deliver or cause to be delivered to the Collateral Agent (which shall promptly furnish a copy thereof to each of the Lenders) an insurance broker's opinion letter from the Borrower's independent insurance agent confirming that the insurance premiums with respect to the policies of insurance required to be maintained pursuant to this Section 5.5 have been paid, that such policies are in full force and effect, and that such policies meet the insurance requirements set forth in this Section 5.5. The Borrower shall also furnish or cause to be furnished to the Collateral Agent (which shall promptly furnish a copy or copies thereof to each of the Lenders) a certificate or certificates of insurance (i) evidencing that all the coverages required to be maintained pursuant to this Section 5.5 have been renewed and continue to be in full force and effect for such period as shall be then stipulated, (ii) specifying the insurers with whom the insurances are carried and (iii) containing such other certifications and undertakings as are customarily provided to Lenders, as reasonably requested by the Collateral Agent or any Lender.

5.6 Books and Records; Inspections; Lenders Meetings. (a) Each Credit Party will, and will cause each of its Restricted Subsidiaries and the San Jose Subsidiary to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. Each Credit Party will, and will cause each of its Subsidiaries to, permit any authorized representatives, including, without limitation, third party industry consultants designated or engaged by any Lender or the Collateral Agent (or, after the occurrence and during the continuance of any Event of Default, any Lender) to visit and inspect any of the facilities of any Credit Party and any of its respective Subsidiaries, to inspect, copy and take extracts from its and their financial and accounting records, to audit

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their assets and equipment and to discuss its and their affairs, finances and accounts with its and their officers and independent public accountants, all upon reasonable notice and at such reasonable times during normal business hours and as often as may reasonably be requested. Company will either pay such authorized representative's or consultant's reasonable fees and expenses or reimburse such Lender or Collateral Agent with respect to such authorized representative's or consultant's reasonable costs and expenses. Company will, upon the request of Administrative Agent or Requisite Lenders, participate in a meeting of Agents and Lenders once during each Fiscal Year to be held at Company's corporate offices (or at such other location as may be agreed to by Company and Administrative Agent) at such time as may be agreed to by Company and Administrative Agent.

(b) Credit Parties agree to cooperate with third party industry consultants engaged by Lenders or their representatives to analyze Company's business plan and at the election of Agents, either pay such consultant's reasonable fees and expenses or reimburse Lenders or such representative with respect to such consultant's reasonable costs and expenses.

5.7 Compliance with Laws. Each Credit Party will comply, and shall cause each of its Subsidiaries and all other Persons, if any, on or occupying any Facility to comply, with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including all Environmental Laws), noncompliance with which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

5.8 Environmental.

(a) Environmental Disclosure. Company will deliver to

Administrative Agent and Lenders:

(i) as soon as practicable following receipt thereof, copies of all environmental audits, investigations, analyses and reports of any kind or character, whether prepared by personnel of Company or any of its Subsidiaries or any Unrestricted Subsidiaries or by independent consultants, Governmental Authorities or any other Persons, with respect to significant environmental matters at any Facility or with respect to any Environmental Claims;

(ii) promptly upon the occurrence thereof, written notice

describing in reasonable detail (A) any Release required to be reported to any federal, state or local governmental or regulatory agency under any applicable Environmental Laws and any remedial action taken by Company or any other Person in response thereto, (B) any Hazardous Materials Activities the existence of which has a reasonable possibility of resulting in one or more Environmental Claims having, individually or in the aggregate, a Material Adverse Effect, (C) any Environmental Claims that, individually or in the aggregate, have a reasonable possibility of resulting in a Material Adverse Effect, and (D) Company's discovery of any occurrence or condition on any real property adjoining or in the vicinity of any Facility that could cause such Facility or any part thereof to be subject to any material restrictions on the ownership, occupancy, transferability or use thereof under any Environmental Laws;

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(iii) as soon as practicable following the sending or receipt thereof by Company or any of its Subsidiaries or any Unrestricted Subsidiaries, a copy of any and all written communications with respect to (A) any Environmental Claims that, individually or in the aggregate, have a reasonable possibility of giving rise to a Material Adverse Effect, (B) any Release required to be reported to any federal, state or local governmental or regulatory agency, and (C) any request for information from any governmental agency that suggests such agency is investigating whether Company or any of its Subsidiaries or any Unrestricted Subsidiaries may be potentially responsible for any Hazardous Materials Activity;

(iv) prompt written notice describing in reasonable detail (A) any proposed acquisition of stock, assets, or property by Company or any of its Subsidiaries or any Unrestricted Subsidiaries that could reasonably be expected to (i) expose Company or any of its Subsidiaries to, or result in, Environmental Claims that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect or (ii) affect the ability of Company or any of its Subsidiaries or any Unrestricted Subsidiaries to maintain in full force and effect all material Governmental Authorizations required under any Environmental Laws for their respective operations and (B) any proposed action to be taken by Company or any of its Subsidiaries or any Unrestricted Subsidiaries to modify current operations in a manner that could reasonably be expected to subject Company or any of its Subsidiaries or any Unrestricted Subsidiaries to any additional material obligations or requirements under any Environmental Laws; and

(v) with reasonable promptness, such other documents and information as from time to time may be reasonably requested by Administrative Agent or Collateral Agent in relation to any matters disclosed pursuant to this Section 5.8(a).

(b) Hazardous Materials Activities, Etc. Each Credit Party

shall promptly take, and shall cause each of its Subsidiaries or any Unrestricted Subsidiaries promptly to take, any and all actions necessary to cure any violation of applicable Environmental Laws by such Credit Party or its Subsidiaries or any Unrestricted Subsidiaries that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and make an appropriate response to any Environmental Claim against such Credit Party or any of its Subsidiaries or any Unrestricted Subsidiaries and discharge any obligations it may have to any Person thereunder where failure to do so could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

5.9 Subsidiaries. In the event that, after the Effective Date, any Person becomes a Restricted Subsidiary of Company or a first tier Foreign Subsidiary, Company shall promptly (i) deliver, or cause to be delivered to Collateral Agent certificates (accompanied by irrevocable undated stock powers, duly endorsed in blank and otherwise satisfactory in form and substance to Collateral Agent) representing the Capital Stock of such Subsidiary, which shall be pledged pursuant to the Pledge and Security Agreement and deliver, or cause to be delivered, to Collateral Agent such other additional agreements or instruments, each in form and substance, as may be necessary or desirable to create in favor of Collateral Agent, for the benefit of the Secured Parties, a valid and perfected First Priority security interest in all of the Capital Stock of

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such Subsidiary (65% in the case of a Foreign Subsidiary), (ii) cause each such Domestic Subsidiary to become a Guarantor hereunder and a Grantor under the Pledge and Security Agreement by executing and delivering to Administrative Agent and Collateral Agent a Counterpart Agreement duly executed by an Authorized Officer of such Domestic Subsidiary, and (iii) take all such actions

and execute and deliver, or cause to be executed and delivered, all such documents, instruments, agreements, and certificates as may be reasonably requested by any Agent. With respect to each such Subsidiary, Company shall promptly send to Administrative Agent and Collateral Agent written notice setting forth with respect to such Person (i) the date on which such Person became a Subsidiary of Company, and (ii) all of the data required to be set forth in Schedule 4.1 with respect to all Subsidiaries of Company, and such written notice shall be deemed to supplement Schedule 4.1 for all purposes hereof.

5.10 Post Closing Covenants With Respect to Real Estate Assets. (a) Other than in respect to the San Jose Ground Lease, in the event that any Credit Party acquires a Material Real Estate Asset or a Real Estate Asset owned on the Closing Date becomes a Material Real Estate Asset and such interest has not otherwise been made subject to the Lien of the Collateral Documents in favor of Collateral Agent, for the benefit of Secured Parties, then such Credit Party, contemporaneously with acquiring such Material Real Estate Asset or (other than San Jose Ground Lease) with such real estate asset becoming a Material Real Estate Asset, shall take all such actions and execute and deliver, or cause to be executed and delivered, all such mortgages, documents, instruments, agreements, opinions and certificates with respect to each such Material Real Estate Asset that Collateral Agent shall reasonably request to create in favor of Collateral Agent, for the benefit of Secured Parties, a valid and, subject to any filing and/or recording referred to herein, perfected First Priority security interest in such Material Real Estate Assets and the personal property located thereon. Notwithstanding any of the foregoing to the contrary, if a Credit Party acquires a Material Real Estate Asset pursuant to a Permitted Acquisition, such Credit Party shall take all such actions to comply with this Section 5.10 within thirty (30) days after such Credit Party has acquired such Material Real Estate Asset pursuant to a Permitted Acquisition.

(b) Company and its Subsidiaries shall at all times with respect to Leasehold Properties which are not Material Real Estate Assets, use reasonable commercial efforts to comply with Section 5.10 as though such Leasehold Properties were Material Real Estate Assets.

(c) In addition to the foregoing, Company and its Restricted Subsidiaries shall, at the request of Requisite Lenders, deliver, from time to time, to Administrative Agent such appraisals as are required by law or regulation of Real Estate Assets with respect to which Collateral Agent has been granted a Lien, such best efforts to include, where possible, best efforts to obtain a Landlord Agreement with the exception of paragraphs 4, 5 and 7 of Exhibit K where a landlord refuses to consent to a leasehold mortgage.

5.11 Interest Rate Protection. Company shall maintain, or caused to be maintained, in effect one or more Interest Rate Agreements for a term of not less than three years and otherwise in form and substance reasonably satisfactory to Administrative Agent and Syndication Agent, which Interest Rate Agreements shall at all times effectively limit the amount of Indebtedness of Company and its Restricted Subsidiaries bearing interest at a floating rate to

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no more than 50% of the aggregate principal amount of Consolidated Total Debt outstanding as of any date of determination.

5.12 Post Closing Covenants With Respect to Permitted Equipment Financing Collateral. Upon termination of all outstanding obligations of Company under any Permitted Equipment Financing, Company, contemporaneously with the repayment of such outstanding obligations, shall (i) terminate any and all Liens granted in connection with such Permitted Equipment Financing, (ii) be deemed to have granted to Collateral Agent, for the benefit of Secured Parties, a valid security interest and continuing lien on all of Company's right, title and interest in, to and under such Collateral, (iii) grant to the Collateral Agent, for the benefit of Secured Parties, a security interest and continuing lien on all of Company's right, title and interest in, to and under such Collateral, by executing and delivering to the Collateral Agent a Confirmation of Grant, substantially in the form of Exhibit M attached hereto, and (iv) deliver to

Collateral Agent duly executed UCC financing statements and all other instruments, notices, releases or certificates as Collateral Agent may reasonably request from time to time.

5.13 Further Assurances. At any time or from time to time upon the request of Administrative Agent, each Credit Party will, at its expense, promptly execute, acknowledge and deliver such further documents and do such other acts and things as Administrative Agent, Syndication Agent or Collateral Agent may reasonably request in order to effect fully the purposes of the Credit Documents. In furtherance and not in limitation of the foregoing, each Credit Party shall take such actions as Administrative Agent, Syndication Agent or Collateral Agent may reasonably request from time to time (including, without limitation, the execution and delivery of guaranties, security agreements, pledge agreements, mortgages, deeds of trust, landlord's consents and estoppels, control agreements, stock powers, financing statements and other documents, the

filing or recording of any of the foregoing, title insurance with respect to any of the foregoing that relates to any Real Estate Asset, and the delivery of stock certificates and other collateral with respect to which perfection is obtained by possession) to ensure that the Obligations are guaranteed by the Guarantors and are secured by substantially all of the assets of Company, and its Restricted Subsidiaries and all of the outstanding Capital Stock of Company's Subsidiaries (subject to limitations contained in the Credit Documents with respect to Foreign Subsidiaries).

5.14 Notice of Default Under Lease. Upon receipt of any notice of default under any lease for domestic Leasehold Property, Company shall immediately notify Collateral Agent thereof.

5.15 Certain Post Effective Date Obligations. Credit Parties shall promptly satisfy the requirements set forth on Schedule 5.15 (but in any event within the time frames set forth on Schedule 5.15).

SECTION 6. NEGATIVE COVENANTS

Each Credit Party covenants and agrees that, so long as any Tranche B Term Loan Commitment is in effect and until payment in full of all Obligations such Credit Party shall perform, and shall cause each of its Restricted Subsidiaries to perform, all covenants in this Section 6.

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6.1 Indebtedness. No Credit Party shall, directly or indirectly, create, incur, assume or guaranty, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, except:

(a) the Obligations, including any Indebtedness under any Hedge Agreement with any Lender Counterparty;

(b) (x) Indebtedness (i) of OpCo or any Restricted Subsidiary to Company or to OpCo or any other Restricted Subsidiary of Company that is a Domestic Subsidiary, or (ii) for so long as no Event of Default has occurred and is continuing under Section 8.1(a) of this Agreement, of Company to OpCo or any Restricted Subsidiary; provided that, to the extent that any proceeds used to provide such Indebtedness to Company is subject to a Lien granted pursuant to the Collateral Documents, such proceeds are applied to either ordinary course operating expenses of Company or to service Indebtedness of Company to the extent funds for such purposes are not otherwise available to Company; provided,

that all such Indebtedness shall be evidenced by promissory notes and all such notes shall be subject to a First Priority Lien pursuant to the Pledge and Security Agreement, all such Indebtedness shall be unsecured and subordinated in right of payment to the payment in full of the Obligations pursuant to the terms of the applicable promissory notes or an intercompany subordination agreement that in any such case, is reasonably satisfactory to Administrative Agent and the Collateral Agent, and any payment by any such Guarantor Subsidiary under any guaranty of the Obligations shall result in a pro tanto reduction of the amount of any Indebtedness owed by such Restricted Subsidiary to Company or to any of its Restricted Subsidiaries for whose benefit such payment is made; provided

further that the foregoing restrictions shall not apply to the extent not

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permitted under the Senior Note Indenture and (y) Indebtedness of any Subsidiary of Company which is not a Guarantor Subsidiary to any other Subsidiary of Company that is not a Guarantor Subsidiary;

(c) Permitted Unsecured Company Debt in an aggregate amount not to exceed \$5,000,000 issued by Company in connection with Permitted Acquisitions as set forth in Section 6.9(d); provided, (i) immediately prior to,

and after giving effect to the incurrence of such Permitted Unsecured Company Debt, no Default or Event of Default shall have occurred and be continuing or would result from such incurrence; and (ii) Company and its Restricted Subsidiaries shall be in compliance with, immediately prior to and after giving pro forma effect to the incurrence of such Indebtedness as if such Indebtedness had been incurred at the beginning of the measurement period for the most recently completed Fiscal Quarter, Section 6.6, 6.7, and 6.8, as applicable;

(d) Indebtedness incurred by Company or any of its Restricted Subsidiaries arising from agreements providing for indemnification, adjustment of purchase price or similar obligations (other than for borrowed money), or from guaranties or letters of credit, surety bonds or performance bonds securing the performance of Company or any such Restricted Subsidiary pursuant to such agreements, in connection with Permitted Acquisitions or permitted dispositions of any business, assets or Restricted Subsidiary of Company;

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(e) Indebtedness which may be deemed to exist pursuant to any guaranties, performance, surety, statutory, appeal or similar obligations incurred in the ordinary course of business of Company and its Restricted Subsidiaries;

(f) Indebtedness in respect of netting services, overdraft protections and otherwise in connection with Deposit Accounts;

(g) guaranties in the ordinary course of business of the obligations of suppliers, customers, franchisees and licensees of Company and its Restricted Subsidiaries;

(h) Indebtedness described in Schedule 6.1 (including reimbursement obligations with respect to letters of credit listed in Schedule 6.1) and refinancings and extensions of any such Indebtedness if the average life to maturity thereof is greater than or equal to that of the Indebtedness being refinanced or extended; provided, such Indebtedness refinanced or extended (A) does not include Indebtedness of an obligor that was not an obligor with respect to the Indebtedness being extended or refinanced, (B) does not exceed in principal amount the Indebtedness being extended or refinanced (except it may be increased by an amount to cover the fees and expenses, including consent fees, placement fees and prepayment premiums, relating to such refinancing) and (C) may not be incurred, created or assumed if any Default or Event of Default has occurred and is continuing or would result therefrom;

(i) Permitted Equipment Financings (exclusive of those Permitted Equipment Financings listed on Schedule 6.1);

(j) the Senior Notes; and

(k) Indebtedness of Company with respect to (x) the retention of liability with respect to the San Jose Ground Lease and (y) Basic Upkeep, provided that Company shall use its continuing reasonable best efforts to obtain
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the release of any such guarantees.

6.2 Liens. No Credit Party shall, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of any kind (including any document or instrument in respect of goods or accounts receivable) of Company or any of its Restricted Subsidiaries, whether now owned or hereafter acquired, or any income or profits therefrom, or file or permit the filing of, or permit to remain in effect, any financing statement or other similar notice of any Lien with respect to any such property, asset, income or profits under the UCC of any State or under any similar recording or notice statute, except:

(a) Liens in favor of Collateral Agent for the benefit of Secured Parties granted pursuant to any Credit Document;

(b) Liens for Taxes not yet due or that are being contested in good faith by appropriate proceedings; provided adequate reserves with respect thereto are maintained on the books of the Credit Party as may be required with GAAP;

(c) statutory Liens of landlords, banks (and rights of set-off), of carriers, warehousemen, mechanics, repairmen, workmen and materialmen, and other Liens

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imposed by law (other than any such Lien imposed pursuant to Section 401 (a) (29) or 412(n) of the Internal Revenue Code or by ERISA), in each case incurred in the ordinary course of business for amounts not yet overdue or for amounts that are overdue and that (in the case of any such amounts overdue for a period in excess of five days) are being contested in good faith by appropriate proceedings, so long as such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made for any such contested amounts;

(d) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, deposits made in the ordinary course of business with utility companies, and Liens incurred or deposits made in the ordinary course of business to secure the performance of tenders, statutory or regulatory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money or other Indebtedness), so long as no foreclosure, sale or similar proceedings have been commenced with respect to any portion of the Collateral on account thereof;

(e) easements, rights-of-way, restrictions, encroachments, and

other minor defects or irregularities in title, in each case which do not and will not interfere in any material respect with the ordinary conduct of the business of Company or any of its Subsidiaries;

(f) any interest or title of a lessor or sublessor under any lease of real estate permitted hereunder;

(g) Liens solely on any cash earnest money deposits made by Company or any of its Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder entered into by it;

(h) Purported Liens evidenced by the filing of precautionary UCC financing statements relating solely to operating leases of personal property entered into in the ordinary course of business;

(i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(j) any zoning or similar law or right reserved to or vested in any governmental office or agency to control or regulate the use of any real property;

(k) licenses of patents, trademarks and other intellectual property rights granted by Company or any of its Subsidiaries in the ordinary course of business and not interfering in any respect with the ordinary conduct of the business of Company or such Subsidiary;

(l) Liens described in Schedule 6.2 or on a title report delivered to Agents on or prior to the Effective Date pursuant to 3.1(f)(v) of the Existing Credit Agreement and agreed to by the Lenders;

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(m) Liens in favor of the trustee under the Senior Notes Indenture and/or the trustee or other representative of holders of Permitted Unsecured Company Debt with respect to Cash and/or Cash Equivalents funded solely from the proceeds received by Company from the sale of the Senior Notes or Permitted Unsecured Company Debt, as the case may be;

(n) Liens consisting of judgment or judicial attachment Liens with respect to judgments that do not constitute an Event of Default;

(o) Liens securing Permitted Equipment Financings; provided, any such Lien shall encumber only the assets financed with the proceeds of such Permitted Equipment Financings as contemplated by the definition of Permitted Equipment Financing;

(p) Liens incurred in connection with the purchase of shipping of goods or assets on the related assets and proceeds thereof in favor of the seller or shipper of such goods or assets; and

(q) Liens on escrowed Cash representing a portion of the proceeds of permitted sales of assets by Company or a Restricted Subsidiary established to satisfy contingent post-closing obligations that it owes (including earn-outs, indemnities and working capital adjustments).

6.3 No Further Negative Pledges. Except with respect to (i) specific property encumbered to secure payment of particular Indebtedness or to be sold pursuant to an executed agreement with respect to a permitted Asset Sale, and (ii) restrictions by reason of customary provisions restricting assignments, subletting or other transfers contained in leases, licenses and similar agreements entered into in the ordinary course of business (provided that such restrictions are limited to the property or assets secured by such Liens or the property or assets subject to such leases, licenses or similar agreements, as the case may be) and (iii) restrictions on transfer with respect to Capital Stock of a second tier Unrestricted Subsidiary that a Credit Party owns, no Credit Party shall enter into any agreement prohibiting the creation or assumption of any Lien upon any of its properties or assets, whether now owned or hereafter acquired.

6.4 Restricted Junior Payments; Restrictions on Investments in Unrestricted Subsidiaries; Restricted Rental and Upkeep Payments. (a) No Credit Party shall, directly or indirectly, declare, order, pay, make or set apart any sum for any Restricted Junior Payment except that (i) Company may make payments in an aggregate maximum amount of \$1,000,000 to retire, or to obtain the surrender of, shares of its common equity issued to its employees, directors or consultants or any outstanding warrants, options or other rights to acquire shares of its common equity issued to any such Persons and Company may acquire fractional shares of its common equity at fair market value thereof for not in excess of \$250,000 in the aggregate, (ii) Company may make regularly scheduled payments of principal and interest (but not voluntary prepayments other than a voluntary prepayment made pursuant to a refinancing permitted under Section 6.1) in respect of the Senior Notes, any Permitted Unsecured Company Debt and

Permitted Equipment Financings in accordance with the terms of, and only to the extent required by, the indenture or other agreement pursuant to which such Indebtedness was issued and (iii) so long as no Event of Default under Section 8.01(a) has occurred and is

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continuing OpCo may make distributions to Company; provided that, in no event shall OpCo distribute to Company any assets subject to a Lien established under the Collateral Documents.

(b) Neither Company nor any Restricted Subsidiary shall, directly or indirectly, make any guaranty on behalf of, declare, order, pay, make, transfer or set apart any sum or assets of, for or constituting any contribution of capital or assets to, or payment to or on behalf of any Unrestricted Subsidiary; except that, (i) Company or any Restricted Subsidiary

may make payments of rent, property tax, power and maintenance commitments provided for in the Effective Date Financial Plan and similar expenses related to the basic upkeep (all such expenses listed in this clause (i) collectively, "Basic Upkeep") of the rental property set forth on Schedule 6.4(b) (i) for so long as, (A) with respect to each lease, no expenditures of any nature have been made by Company or any of its Restricted Subsidiaries for the use or development of the leased site (it being understood that expenditures for Basic Upkeep shall

not be deemed expenditures for such use or development) and (B) after the occurrence and during the continuance of an Event of Default, Company or any Restricted Subsidiaries is contractually or legally required to make such expenditures; (ii) Company and Restricted Subsidiaries may contribute to Foreign Subsidiaries leases with respect to foreign operations in existence on the Effective Date and (iii) Company or any Restricted Subsidiary may make Investments permitted pursuant to Section 6.5(g).

6.5 Investments. Except as provided in Section 6.4(b), neither Company nor any Restricted Subsidiary shall, directly or indirectly, make or own any Investment in any Person, including without limitation any Joint Venture, except:

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(a) Cash Equivalents;

(b) equity Investments owned as of the Closing Date in any Subsidiary and equity investments made in Restricted Subsidiaries after the Closing Date;

(c) Investments (i) in accounts receivable arising and trade credit granted in the ordinary course of business and in any Securities received in satisfaction or partial satisfaction thereof from financially troubled account debtors and (ii) deposits, prepayments and other credits to suppliers made in the ordinary course of business consistent with the past practices of Company and its Restricted Subsidiaries;

(d) intercompany loans to the extent permitted under Section 6.1(b);

(e) Consolidated Capital Expenditures permitted by Section 6.8;

(f) Investments made in connection with Permitted Acquisitions permitted pursuant to Section 6.9 and Investments in Unrestricted Subsidiaries pursuant to Section 6.4(b);

(g) So long as no Event of Default has occurred and is continuing, Investments by Company or a Restricted Subsidiary in other Persons; provided that after giving effect to any such Investment, together with any

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other Investments and any Permitted Acquisition consummated after the Effective Date, the aggregate cash consideration paid by Company and its Restricted Subsidiaries in connection with all such Investments and Permitted

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Acquisitions shall not exceed \$5,000,000 in the aggregate (exclusive of any cash consideration to the extent funded solely with the proceeds of Qualifying Equity issued substantially contemporaneously with the consummation of such Investment); provided further that, with respect to any such Investments made

prior to satisfaction of the EBITDA Requirement with respect to which the aggregate cash consideration paid by Company and its Restricted Subsidiaries (excluding cash consideration representing the proceeds of Qualifying Equity) together with the aggregate cash consideration paid with respect to all other Investments and Permitted Acquisitions made prior to satisfaction of the EBITDA Requirement, exceeds \$2,000,000, such Investment may only be made to the extent that the Cash and Cash Equivalents of Company and its Restricted Subsidiaries

exceeds the Cash and Cash Equivalent set forth in the Effective Date Financial Plan as of the date of such Investment by an amount not less than 200% of such cash consideration paid in excess of \$2,000,000 and an amount equal to such cash consideration paid in excess of \$2,000,000 is deposited in a Restricted Account; and

(h) loans made or committed before the Effective Date as set forth on Schedule 6.5(i) and loans to employees of Company in an aggregate amount not to exceed \$1,000,000 for the purchase of real estate; provided that, -----
except as set forth on Schedule 6.5(i) to the contrary, each such loan shall be secured by a first mortgage on the real estate so purchased and such notes and mortgages shall be pledged and delivered to the Collateral Agent.

6.6 Stage 1 Financial Covenants. During Stage 1:

(a) Minimum Annualized Revenues. Company shall not permit -----
Annualized Consolidated Revenues for any Fiscal Quarter during Stage 1 or Net Revenues for the month of April 2002, to be less than the correlative amount indicated as set forth on Schedule 6.6(a).

(b) Maximum Consolidated EBITDA Losses/Minimum Consolidated -----
EBITDA. Company shall not permit Consolidated EBITDA losses or Consolidated -----
EBITDA, as applicable, for any Fiscal Quarter during Stage 1, to be greater than or less than, as applicable, the correlative amount indicated as set forth on Schedule 6.6(b).

(c) Consolidated Senior Secured Debt to Consolidated Total -----
Capitalization. Company shall not permit the ratio of Consolidated Senior -----
Secured Debt to Consolidated Total Capitalization at any time during Stage 1 to exceed 0.20:1.00.

(d) Consolidated Total Debt to Consolidated Total -----
Capitalization. Company shall not permit the ratio of Consolidated Total Debt to -----
Consolidated Total Capitalization at any time during Stage 1 to exceed 0.50:1.00.

(e) Minimum Cash and Cash Equivalents. Company shall not -----
permit aggregate Cash and Cash Equivalents of Company and its Restricted Subsidiaries as of the last day of each calendar month during Stage 1 to be less than the correlative amounts set forth on Schedule 6.6(e).

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6.7 Stage 2 Financial Covenants. During Stage 2:

(a) Senior Leverage Ratio. Company shall not permit the Senior -----
Leverage Ratio as of the last day of any Fiscal quarter during Stage 2 to exceed the correlative ratio indicated as set forth on Schedule 6.7(a).

(b) Total Leverage Ratio. Company shall not permit the Total -----
Leverage Ratio as of the last day of any Fiscal Quarter during Stage 2 to exceed the correlative ratio indicated as set forth on Schedule 6.7(b).

(c) Interest Coverage Ratio. Company shall not permit the -----
Interest Coverage Ratio as of the last day of any Fiscal Quarter during Stage 2 to be less than the correlative ratio indicated as set forth on Schedule 6.7(c).

(d) Pro Forma Debt Service Coverage Ratio. Company shall not -----
at any time during the periods set forth on Schedule 6.7(d) permit the ratio of (i) Annualized Consolidated EBITDA (excluding restricted cash) to (ii) required consolidated pro forma amortization and principal payments and consolidated cash interest expense for the next four consecutive quarters to be less than the correlative ratios set forth on Schedule 6.7(d).

(e) Minimum Cash and Cash Equivalents. Company shall not -----
permit aggregate Cash and Cash Equivalents of Company and its Restricted Subsidiaries as of the last day of each calendar month during Stage 2 to be less than the correlative amounts set forth on Schedule 6.7(e).

In the event a Permitted Acquisition or an Investment pursuant to Section 6.5(g)

is made after the Effective Date, the following provisions shall apply for purposes of calculating compliance with the financial covenants set forth in Sections 6.6 and 6.7:

(i) the Net Revenues and the positive portion of Consolidated EBITDA, if any, attributable to such Investment or Permitted Acquisition shall only be included for purposes of calculating such financial covenants commencing on the first day of the second full Fiscal Quarter occurring after consummation of such Investment or Permitted Acquisition;

(ii) the minimum Annualized Consolidated Revenue amounts set forth on Schedule 6.6(a) shall be increased for each period occurring after completion of the first full Fiscal Quarter following the date of consummation of such Investment or Permitted Acquisition by an amount equal to 87.5% of Net Revenues attributable to such Investment or Permitted Acquisition with respect to such first Fiscal Quarter (or in the case of a monthly measurement, by 87.5% of the Net Revenues attributable to such Investment or Permitted Acquisition for the first month of such first Fiscal Quarter); and

(iii) the maximum Consolidated EBITDA loss amounts set forth on Schedule 6.6(b) shall be reduced and the minimum Consolidated EBITDA amounts increased, for each period occurring after completion of the first full Fiscal Quarter following the date of consummation of each such Investment and Permitted Acquisition in an amount equal to the positive portion, if any, of Consolidated EBITDA attributable

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to such Investment or Permitted Acquisition with respect to such first Fiscal Quarter (such portion of Consolidated EBITDA to be calculated based upon 87.5% of the revenues attributable to such Investment or Permitted Acquisition during such Fiscal Quarter).

For purposes of determining compliance with the minimum Cash and Cash Equivalents requirements of Section 6.6(e) and 6.7(e) (x) the amount of Cash and Cash Equivalents on deposit in any Restricted Account shall be excluded, (y) an amount equal to outstanding Tranche B Term Loans in excess of \$5,000,000 shall be deducted from Company and its Subsidiaries outstanding Cash and Cash Equivalents and (z) the amount of the net proceeds of any Qualifying Equity

issued after the Effective Date not used to pay a portion of the cash consideration in connection with a Permitted Acquisition shall be added to each of the amounts set forth on Schedules 6.6(e) and 6.7(e) as of the date such net proceeds are received and for each period thereafter.

6.8 Maximum Consolidated Capital Expenditures. During Stage 1 and Stage 2, Company shall not and shall not permit its Restricted Subsidiaries to make or incur Consolidated Capital Expenditures, in any Fiscal Year indicated on Schedule 6.8, in an aggregate amount for Company and its Restricted Subsidiaries in excess of the corresponding amount set forth on Schedule 6.8; provided that,

any amount set forth in the Effective Date Financial Plan representing a payment scheduled to be paid in Fiscal Year 2001 by Company and its Restricted Subsidiaries to Bechtel Corporation with respect to the IBX Facility located in Secaucus, New Jersey, but not paid in cash in Fiscal Year 2001 may be carried forward and paid to Bechtel Corporation in Fiscal Year 2002.

6.9 Fundamental Changes; Disposition of Assets; Acquisitions. Neither Company nor any Restricted Subsidiary shall, enter into any transaction of merger or consolidation, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease or sub-lease (as lessor or sublessor), transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its business, assets or property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, whether now owned or hereafter acquired, or acquire by purchase or otherwise (other than purchases or other acquisitions of inventory, materials and equipment in the ordinary course of business) the business, property or fixed assets of, or stock or other evidence of beneficial ownership of, any Person or any division or line of business or other business unit of any Person, except:

(a) any Restricted Subsidiary of Company may be merged with or into any other Restricted Subsidiary, or be liquidated, wound up or dissolved, or all or any part of its business, property or assets may be conveyed, sold, leased, transferred or otherwise disposed of, in one transaction or a series of transactions, to any Restricted Subsidiary; provided, in the case of such a

merger, a Restricted Subsidiary shall be the continuing or surviving Person;

(b) sales or other dispositions of assets which do not constitute Asset Sales;

(c) Asset Sales, the proceeds of which (valued at the principal amount thereof in the case of non-Cash proceeds consisting of notes or other debt Securities and valued

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at fair market value in the case of other non-Cash proceeds) (i) are less than \$250,000 with respect to any single Asset Sale or series of related Asset Sales and (ii) when aggregated with the proceeds of all other Asset Sales made within the same Fiscal Year, are less than \$1,000,000; provided (1) the consideration

received for such assets shall be in an amount at least equal to the fair market value thereof (determined in good faith by the board of directors of Company (or similar governing body)), (2) no less than 85% thereof shall be paid in Cash, and (3) the Net Asset Sale Proceeds thereof shall be applied as required by Section 2.12(a);

(d) Permitted Acquisitions; provided, the cash consideration

paid by Company and its Restricted Subsidiaries in connection with all such Permitted Acquisitions, together with the cash consideration paid by Company and its Restricted Subsidiaries in connection with Investments made pursuant to Section 6.5(g) shall not exceed \$5,000,000 in the aggregate (exclusive of any cash consideration to the extent funded solely with the proceeds of Qualifying Equity issued substantially contemporaneously with the consummation of such Permitted Acquisition), provided, further that, with respect to any such

Permitted Acquisitions and Investments made prior to satisfaction of the EBITDA Requirement with respect to which the aggregate cash consideration paid (excluding cash consideration representing the proceeds of Qualifying Equity), together with the aggregate cash consideration for all Permitted Acquisitions and Investments made prior to satisfaction of the EBITDA Requirement, exceeds \$2,000,000, such Permitted Acquisition may only be made to the extent that the Cash and Cash Equivalents of Company and its Restricted Subsidiaries exceeds the Cash and Cash Equivalents set forth in the Effective Date Financial Plan as of the date of such Permitted Acquisitions by an amount not less than 200% of such Cash consideration in excess of \$2,000,000 paid and an amount equal to such cash consideration paid in excess of \$2,000,000 is deposited in a Restricted Account; and

(e) Investments made in accordance with Section 6.5.

6.10 Disposal of Subsidiary Interests. Except for any sale of 100% of the Capital Stock of any of its Subsidiaries made in compliance with the provisions of Section 6.9, no Credit Party shall directly or indirectly sell, assign, pledge or otherwise encumber or dispose of any Capital Stock of any of its Restricted Subsidiaries, except to qualify directors if required by applicable law; or permit any of its Restricted Subsidiaries directly or indirectly to sell, assign, pledge or otherwise encumber or dispose of any Capital Stock of any of its Restricted Subsidiaries or first tier Unrestricted Subsidiaries, except to Company or a wholly-owned Guarantor Subsidiary of Company (subject to the restrictions on such disposition otherwise imposed hereunder), or to qualify directors if required by applicable law.

6.11 Sales and Lease-Backs. Except as set forth on Schedule 6.11 or in connection with a Permitted Equipment Financing, no Credit Party shall, directly or indirectly, become or remain liable as lessee or as a guarantor or other surety with respect to any lease of any property (whether real, personal or mixed), whether now owned or hereafter acquired, which such Credit Party has sold or transferred or is to sell or to transfer to any other Person (other than Company or any of its Restricted Subsidiaries), or intends to use for substantially the same purpose as any other property which has been or is to be sold or transferred by such Credit Party to any Person (other than Company or any of its Restricted Subsidiaries) in connection with such lease.

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6.12 Sale and Discount of Receivables. No Credit Party shall, nor shall it permit any of its Subsidiaries to, directly or indirectly, sell with recourse, or discount or otherwise sell for less than the face value thereof, any of its notes or accounts receivable (it being understood that the restriction contained in this Section 6.12 shall not apply to any write-off of bad debt in the ordinary course of business consistent with prior practice).

6.13 Transactions with Shareholders and Affiliates. (a) No Credit Party shall, directly or indirectly, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any holder of 10% or more of any class of Capital Stock of Company or any of its Subsidiaries or with any Affiliate of Company or of any such holder, on terms that are less favorable to Company or that Subsidiary, as the case may be, than those that might be obtained at the time from a Person who is not such a holder or Affiliate; provided, the

foregoing restriction shall not apply to (a) any transaction between Company and any Restricted Subsidiary or between any of the Guarantor Subsidiaries; (b) reasonable and customary fees paid to members of the board of directors (or similar governing body) of Company and its Subsidiaries; (c) compensation arrangements entered into in the ordinary course of business for officers and other employees of Company and its Subsidiaries; and (d) transactions described in Schedule 6.13.

(b) Each Credit Party will (i) maintain entity records and books of account separate from those of any other entity which is an Affiliate of such Credit Party; (ii) not commingle its funds or assets with those of any other entity which is an Affiliate of such Credit Party, and (iii) provide that its board of directors or other analogous governing body will hold all appropriate meetings to authorize and approve such Person's entity actions, which meetings will be separate from those of other Credit Parties.

6.14 Conduct of Business. From and after the Closing Date, no Credit Party shall, nor shall it permit any of its Subsidiaries to, engage in any business other than (i) the businesses engaged in by such Credit Party on the Closing Date and Complementary Businesses and (ii) such other lines of business as may be consented to by Requisite Lenders.

6.15 Permitted IBX Facilities. Except for the making of payments relating to Basic Upkeep as provided under Section 6.4(b), Company shall not, nor shall it permit any of its Restricted Subsidiaries to, build out, commence the construction of, operate or acquire a IBX Facility whether independently or by joint venture) other than Permitted IBX Facilities.

6.16 Amendments or Waivers of Certain Documents.

No Credit Party shall, amend or otherwise change the terms of the Senior Notes, any Permitted Unsecured Company Debt or any Permitted Equipment Financing, or make any payment consistent with an amendment thereof or change thereto, if the effect of such amendment or change is to increase the interest rate on such Indebtedness, change (to earlier dates) any dates upon which payments of principal or interest are due thereon, change any event of default or condition to an event of default with respect thereto (other than to eliminate any such event of default or increase any grace period related thereto), change the redemption, prepayment or defeasance provisions thereof, change the subordination provisions of such Indebtedness (or of any guaranty thereof), or if the effect of such amendment or change, together

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with all other amendments or changes made, is to increase materially the obligations of the obligor thereunder or to confer any additional rights on the holders of such Indebtedness (or a trustee or other representative on their behalf) which would be adverse to any Credit Party or Lenders. In addition, no Credit Party shall amend or otherwise change the terms of any lease with respect to any IBX Facilities and the San Jose Ground Lease, if the effect of such

amendment or change is to increase the financial obligations with respect to such lease in an aggregate amount in excess of \$50,000 over the term of such lease.

6.17 Fiscal Year. No Credit Party shall change its Fiscal Year-end from December 31.

6.18 Unrestricted Subsidiaries.

(a) Company may not create, acquire or otherwise designate an Unrestricted Subsidiary other than those Subsidiaries listed on Schedule 1.1(b).

(b) Neither Company nor any Restricted Subsidiary shall at any time (x) provide any guaranty of any Indebtedness of any Unrestricted Subsidiary (y) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary or (z) be directly or indirectly liable for any other Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon (or cause such Indebtedness or the payment thereof to be accelerated, payable or subject to repurchase prior to its final scheduled maturity) upon the occurrence of a default with respect to any other Indebtedness that is Indebtedness of an Unrestricted Subsidiary.

(c) Company shall not create or suffer to exist any Foreign Subsidiary that is not an Unrestricted Subsidiary.

6.19 Acquisition and Ownership of Assets by Company. Except to the extent contemplated under Section 6.4(a), Company shall not acquire or own any operating assets other than (i) assets owned or acquired prior to the Effective Date, (ii) replacement assets, (iii) assets acquired with the proceeds of Permitted Equipment Financing and (iv) assets from a Restricted Subsidiary so long as such asset is not subject to a Lien under the Collateral Documents.

6.20 Company Subsidiaries. The Company shall not after the Closing

Date (i) create any new direct Restricted Subsidiary other than International Holdings or (ii) acquire any equity interest in any other entity unless all such equity interests are subject to a First Priority Lien in favor of the Collateral Agent for the benefit of Lenders.

SECTION 7. GUARANTY

7.1 Guaranty of the Obligations. Subject to the provisions of Section 7.2, Guarantors jointly and severally hereby irrevocably and unconditionally guaranty to Administrative Agent for the ratable benefit of the Beneficiaries the due and punctual payment in full of all Obligations when the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would

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become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. (S) 362(a)) (collectively, the "Guaranteed Obligations").

7.2 Contribution by Guarantors. Each Guarantor desires to allocate among themselves (collectively, the "Contributing Guarantors"), in a fair and equitable manner, their obligations arising under this Guaranty. Accordingly, in the event any payment or distribution is made on any date by a Guarantor (a "Funding Guarantor") under this Guaranty that exceeds its Fair Share as of such date, such Funding Guarantor shall be entitled to a contribution from each of the other Contributing Guarantors in the amount of such other Contributing Guarantor's Fair Share Shortfall as of such date, with the result that all such contributions will cause each Contributing Guarantor's Aggregate Payments to equal its Fair Share as of such date. "Fair Share" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to the ratio of the Fair Share Contribution Amount with respect to such Contributing Guarantor to the aggregate of the Fair Share Contribution Amounts with respect to all Contributing Guarantors multiplied by the aggregate amount paid or distributed on or before such date by all Funding Guarantors under this Guaranty in respect of the obligations Guaranteed. "Fair Share Shortfall" means, with respect to a Contributing Guarantor as of any date of determination, the excess, if any, of the Fair Share of such Contributing Guarantor over the Aggregate Payments of such Contributing Guarantor. "Fair Share Contribution Amount" means, with respect to a Contributing Guarantor as of any date of determination, the maximum aggregate amount of the obligations of such Contributing Guarantor under this Guaranty that would not render its obligations hereunder or thereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any comparable applicable provisions of state law; provided, solely for purposes of calculating the "Fair Share

Contribution Amount" with respect to any Contributing Guarantor for purposes of this Section 7.2, any assets or liabilities of such Contributing Guarantor arising by virtue of any rights to subrogation, reimbursement or indemnification or any rights to or obligations of contribution hereunder shall not be considered as assets or liabilities of such Contributing Guarantor. "Aggregate Payments" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to the aggregate amount of all payments and distributions made on or before such date by such Contributing Guarantor in respect of this Guaranty (including, without limitation, in respect of this Section 7.2), minus the aggregate amount of all payments received on or before such date by such Contributing Guarantor from the other Contributing Guarantors as contributions under this Section 7.2. The amounts payable as contributions hereunder shall be determined as of the date on which the related payment or distribution is made by the applicable Funding Guarantor. The allocation among Contributing Guarantors of their obligations as set forth in this Section 7.2 shall not be construed in any way to limit the liability of any Contributing Guarantor hereunder. Each Guarantor is a third party beneficiary to the contribution agreement set forth in this Section 7.2.

7.3 Payment by Guarantors. Subject to Section 7.2, Guarantors hereby jointly and severally agree, in furtherance of the foregoing and not in limitation of any other right which any Beneficiary may have at law or in equity against any Guarantor by virtue hereof, that upon the failure of the Borrower to pay any of the Guaranteed Obligations when and as the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. (S) 362(a)), Guarantors

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will upon demand pay, or cause to be paid, in Cash, to Administrative Agent for the ratable benefit of Beneficiaries, an amount equal to the sum of the unpaid principal amount of all Guaranteed Obligations then due as aforesaid, accrued and unpaid interest on such Guaranteed Obligations (including interest which, but for the Borrower's becoming the subject of a case under the Bankruptcy code, would have accrued on such Guaranteed Obligations, whether or not a claim is

allowed against the Borrower for such interest in the related bankruptcy case) and all other Guaranteed Obligations then owed to Beneficiaries as aforesaid.

7.4 Liability of Guarantors Absolute. Each Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guaranteed Obligations in Cash. In furtherance of the foregoing and without limiting the generality thereof, each Guarantor agrees as follows:

(a) this Guaranty is a guaranty of payment when due and not of collectability. This Guaranty is a primary obligation of each Guarantor and not merely a contract of surety;

(b) Administrative Agent may enforce this Guaranty upon the occurrence of an Event of Default notwithstanding the existence of any dispute between the Borrower and any Beneficiary with respect to the existence of such Event of Default;

(c) the obligations of each Guarantor hereunder are independent of the obligations of the Borrower and the obligations of any other guarantor (including any other Guarantor) of the obligations of the Borrower, and a separate action or actions may be brought and prosecuted against such Guarantor whether or not any action is brought against the Borrower or any of such other guarantors and whether or not the Borrower is joined in any such action or actions;

(d) payment by any Guarantor of a portion, but not all, of the Guaranteed Obligations shall in no way limit, affect, modify or abridge any Guarantor's liability for any portion of the Guaranteed Obligations which has not been paid. Without limiting the generality of the foregoing, if Administrative Agent is awarded a judgment in any suit brought to enforce any Guarantor's covenant to pay a portion of the Guaranteed Obligations, such judgment shall not be deemed to release such Guarantor from its covenant to pay the portion of the Guaranteed Obligations that is not the subject of such suit, and such judgment shall not, except to the extent satisfied by such Guarantor in Cash, limit, affect, modify or abridge any other Guarantor's liability hereunder in respect of the Guaranteed Obligations;

(e) any Beneficiary, upon such terms as it deems appropriate, without notice or demand and without affecting the validity or enforceability hereof or giving rise to any reduction, limitation, impairment, discharge or termination of any Guarantor's liability hereunder, from time to time may (i) renew, extend, accelerate, increase the rate of interest on, or otherwise change the time, place, manner or terms of payment of the Guaranteed Obligations; (ii) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guaranteed Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations; (iii) request

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and accept other guaranties of the Guaranteed Obligations and take and hold security for the payment hereof or the Guaranteed Obligations; (iv) release, surrender, exchange, substitute, compromise, settle, rescind, waive, alter, subordinate or modify, with or without consideration, any security for payment of the Guaranteed Obligations, any other guaranties of the Guaranteed Obligations, or any other obligation of any Person (including any other Guarantor) with respect to the Guaranteed Obligations; (v) enforce and apply any security now or hereafter held by or for the benefit of such Beneficiary in respect hereof or the Guaranteed Obligations and direct the order or manner of sale thereof, or exercise any other right or remedy that such Beneficiary may have against any such security, in each case as such Beneficiary in its discretion may determine consistent herewith or the applicable Hedge Agreement and any applicable security agreement, including foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and even though such action operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Guarantor against the Borrower or any security for the Guaranteed Obligations; and (vi) exercise any other rights available to it under the Credit Documents or the Hedge Agreements; and

(f) this Guaranty and the obligations of Guarantors hereunder shall be valid and enforceable and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason (other than the indefeasible payment in full of the Guaranteed Obligations in Cash), including the occurrence of any of the following, whether or not any Guarantor shall have had notice or knowledge of any of them: (i) any failure or omission to assert or enforce or agreement or election not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy (whether arising under the Credit Documents or the Hedge Agreements, at law, in equity or otherwise) with respect to the Guaranteed Obligations or any agreement relating thereto, or with respect to any other guaranty of or security for the payment of

the Guaranteed Obligations; (ii) any rescission, waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including provisions relating to events of default) hereof, any of the other Credit Documents, any of the Hedge Agreements or any agreement or instrument executed pursuant thereto, or of any other guaranty or security for the Guaranteed Obligations, in each case whether or not in accordance with the terms hereof or such Credit Document, such Hedge Agreement or any agreement relating to such other guaranty or security; (iii) the Guaranteed Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect; (iv) the application of payments received from any source (other than payments received pursuant to the other Credit Documents or any of the Hedge Agreements or from the proceeds of any security for the Guaranteed Obligations, except to the extent such security also serves as collateral for indebtedness other than the Guaranteed Obligations) to the payment of indebtedness other than the Guaranteed Obligations, even though any Beneficiary might have elected to apply such payment to any part or all of the Guaranteed Obligations; (v) any Beneficiary's consent to the change, reorganization or termination of the corporate structure or existence of Company or any of its Subsidiaries and to any corresponding restructuring of the Guaranteed Obligations; (vi) any failure to perfect or continue perfection of a security interest in any collateral which secures any of the Guaranteed Obligations; (vii) any defenses, set-offs or counterclaims which the Borrower or any Guarantor may allege or assert against any Beneficiary in respect of the Guaranteed Obligations, including failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations,

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accord and satisfaction and usury; and (viii) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of any Guarantor as an obligor in respect of the Guaranteed Obligations.

7.5 Waivers by Guarantors. Each Guarantor hereby waives, for the benefit of Beneficiaries: any right to require any Beneficiary, as a condition of payment or performance by such Guarantor, to proceed against the Borrower, any other guarantor (including any other Guarantor) of the Guaranteed Obligations or any other Person, proceed against or exhaust any security held from the Borrower, any such other guarantor or any other Person, proceed against or have resort to any balance of any Deposit Account or credit on the books of any Beneficiary in favor of the Borrower or any other Person, or (iv) pursue any other remedy in the power of any Beneficiary whatsoever; any defense arising by reason of the incapacity, lack of authority or any disability or other defense of the Borrower or any other Guarantor including any defense based on or arising out of the lack of validity or the unenforceability of the Guaranteed Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability of the Borrower or any other Guarantor from any cause other than payment in full of the Guaranteed Obligations in Cash; any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; any defense based upon any Beneficiary's errors or omissions in the administration of the Guaranteed Obligations, except behavior which amounts to bad faith; any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms hereof and any legal or equitable discharge of such Guarantor's obligations hereunder, the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement hereof, any rights to set-offs, recoupments and counterclaims, and promptness, diligence and any requirement that any Beneficiary protect, secure, perfect or insure any security interest or lien or any property subject thereto; notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance hereof, notices of default hereunder, under the Hedge Agreements or under any agreement or instrument related thereto, notices of any renewal, extension or modification of the Guaranteed Obligations or any agreement related thereto, notices of any extension of credit to the Borrower and notices of any of the matters referred to in Section 7.4 and any right to consent to any thereof; and any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms hereof.

7.6 Guarantors' Rights of Subrogation, Contribution, etc. Until the Guaranteed Obligations shall have been indefeasibly paid in full and all Commitments shall have terminated, each Guarantor hereby waives any claim, right or remedy, direct or indirect, that such Guarantor now has or may hereafter have against the Borrower or any other Guarantor or any of its assets in connection with this Guaranty or the performance by such Guarantor of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation any right of subrogation, reimbursement or indemnification that such Guarantor now has or may hereafter have against the Borrower with respect to the Guaranteed Obligations, any right to enforce, or to participate in, any claim, right or remedy that any Beneficiary now has or may hereafter have against the Borrower, and any benefit of, and any right to participate in, any collateral or security now or hereafter held by any Beneficiary. In addition, until the

shall have terminated and all Letters of Credit shall have expired or been cancelled, each Guarantor shall withhold exercise of any right of contribution such Guarantor may have against any other guarantor (including any other Guarantor) of the Guaranteed Obligations, including, without limitation, any such right of contribution as contemplated by Section 7.2. Each Guarantor further agrees that, to the extent the waiver or agreement to withhold the exercise of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification such Guarantor may have against the Borrower or against any collateral or security, and any rights of contribution such Guarantor may have against any such other guarantor, shall be junior and subordinate to any rights any Beneficiary may have against the , to all right, title and interest any Beneficiary may have in any such collateral or security, and to any right any Beneficiary may have against such other guarantor. If any amount shall be paid to any Guarantor on account of any such subrogation, reimbursement, indemnification or contribution rights at any time when all Guaranteed Obligations shall not have been finally and indefeasibly paid in full in Cash, such amount shall be held in trust for Administrative Agent on behalf of Beneficiaries and shall forthwith be paid over to Administrative Agent for the benefit of Beneficiaries to be credited and applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms hereof.

7.7 Subordination of Other Obligations. Any Indebtedness of any Borrower or any Guarantor now or hereafter held by any Guarantor (the "Obligee Guarantor") is hereby subordinated in right of payment to the Guaranteed Obligations, and any such indebtedness collected or received by the Obligee Guarantor after an Event of Default has occurred and is continuing shall be held in trust for Administrative Agent on behalf of Beneficiaries and shall forthwith be paid over to Administrative Agent for the benefit of Beneficiaries to be credited and applied against the Guaranteed Obligations but without affecting, impairing or limiting in any manner the liability of the Obligee Guarantor under any other provision hereof.

7.8 Continuing Guaranty. This Guaranty is a continuing guaranty and shall remain in effect until all of the Guaranteed Obligations shall have been finally and indefeasibly paid in full in Cash and the Tranche B Term Loan Commitments shall have terminated. Each Guarantor hereby irrevocably waives any right to revoke this Guaranty as to future transactions giving rise to any Guaranteed Obligations.

7.9 Authority of Guarantors or Borrower. It is not necessary for any Beneficiary to inquire into the capacity or powers of any Guarantor or the Borrower or the officers, directors or any agents acting or purporting to act on behalf of any of them.

7.10 Financial Condition of Borrower. Any Credit Extension may be made to the Borrower or continued from time to time, and any Hedge Agreements may be entered into from time to time, in each case without notice to or authorization from any Guarantor regardless of the financial or other condition of Company at the time of any such grant or continuation or at the time such Hedge Agreement is entered into, as the case may be. No Beneficiary shall have any obligation to disclose or discuss with any Guarantor its assessment, or any Guarantor's assessment, of the financial condition of the Borrower. Each Guarantor has adequate means to obtain information from the Borrower on a continuing basis concerning the financial condition of

the Borrower and its ability to perform its obligations under the Credit Documents and the Hedge Agreements, and each Guarantor assumes the responsibility for being and keeping informed of the financial condition of the Borrower and of all circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations. Each Guarantor hereby waives and relinquishes any duty on the part of any Beneficiary to disclose any matter, fact or thing relating to the business, operations or conditions of the Borrower now known or hereafter known by any Beneficiary.

7.11 Bankruptcy, etc. So long as any Guaranteed Obligations remain outstanding, no Guarantor shall, without the prior written consent of Administrative Agent acting pursuant to the instructions of Requisite Lenders, commence or join with any other Person in commencing any bankruptcy, reorganization or insolvency case or proceeding of or against the Borrower or any other Guarantor. The obligations of Guarantors hereunder shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any case or proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of the Borrower or any other Guarantor or by any defense which the Borrower or any

other Guarantor may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding.

(a) Each Guarantor acknowledges and agrees that any interest on any portion of the Guaranteed Obligations which accrues after the commencement of any case or proceeding referred to in clause (a) above (or, if interest on any portion of the Guaranteed Obligations ceases to accrue by operation of law by reason of the commencement of such case or proceeding, such interest as would have accrued on such portion of the Guaranteed Obligations if such case or proceeding had not been commenced) shall be included in the Guaranteed Obligations because it is the intention of Guarantors and Beneficiaries that the Guaranteed Obligations which are guaranteed by Guarantors pursuant hereto should be determined without regard to any rule of law or order which may relieve the Borrower of any portion of such Guaranteed Obligations. Guarantors will permit any trustee in bankruptcy, receiver, debtor in possession, assignee for the benefit of creditors or similar person to pay Administrative Agent, or allow the claim of Administrative Agent in respect of, any such interest accruing after the date on which such case or proceeding is commenced.

(b) In the event that all or any portion of the Guaranteed Obligations are paid by the Borrower, the obligations of Guarantors hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from any Beneficiary as a preference, fraudulent transfer or otherwise (whether by demand, settlement, litigation or otherwise), and any such payments which are so rescinded or recovered shall constitute Guaranteed Obligations for all purposes hereunder.

7.12 Notice of Events. As soon as any Guarantor obtains knowledge thereof, such Guarantor shall give Administrative Agent written notice of any condition or event which has resulted in a material adverse change in the financial conditions of any Guarantor or the Borrower or a breach of or noncompliance with any term, condition or covenant contained herein, any other Credit Document, any Hedge Agreement or any other document delivered pursuant hereto or thereto.

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7.13 Discharge of Guaranty Upon Sale of Guarantor. If all of the Capital Stock of any Guarantor that is a Subsidiary of Company or any of its successors in interest hereunder shall be sold or otherwise disposed of (including by merger or consolidation) in accordance with the terms and conditions hereof, the Guaranty of such Guarantor or such successor in interest, as the case may be, hereunder shall automatically be discharged and released without any further action by any Beneficiary or any other Person effective as of the time of such Asset Sale; provided, as a condition precedent to such discharge and release, Administrative Agent shall have received evidence satisfactory to it that arrangements satisfactory to it have been made for delivery to Administrative Agent of the applicable Net Asset Sale Proceeds of such disposition pursuant to Section 2.12(a).

SECTION 8. EVENTS OF DEFAULT

8.1 Events of Default. If any one or more of the following conditions or events (each, an Event of Default) shall occur:

(a) Failure to Make Payments When Due. Failure by the Borrower

to pay (i) when due any installment of principal of any Loan, whether at stated maturity, by acceleration, by notice of voluntary prepayment, by mandatory prepayment or otherwise; or (ii) any interest on any Loan or any fee or any other amount due hereunder or under any of the other Credit Documents within five (5) days after the date due; or

(b) Default in Other Agreements. Failure of any Credit Party

to pay when due any principal of or interest on or any other amount payable in respect of one or more items of Indebtedness (other than Indebtedness referred to in Section 8.1(a)) in an individual principal amount of \$250,000 or more or with an aggregate principal amount of \$1,000,000 or more, in each case beyond the grace period, if any, provided therefor; or (ii) breach or default by any Credit Party with respect to any other material term of one or more items of Indebtedness in the individual or aggregate principal amounts referred to in clause (i) above or any loan agreement, mortgage, indenture or other agreement relating to such item(s) of Indebtedness; or (iii) breach or default by any Credit Party with respect to any other term of Permitted Equipment Financing or Permitted Unsecured Debt, in each case beyond the grace period, if any, provided therefor, if the effect of such breach or default is to cause, or to permit the holder or holders of that Indebtedness (or a trustee on behalf of such holder or holders), to cause, that Indebtedness to become or be declared due and payable (or redeemable) prior to its stated maturity or the stated maturity of any

underlying obligation, as the case may be; or

(c) Breach of Certain Covenants. Failure of any Credit Party

to perform or comply with any term or condition contained in Section 2.4, Section 5.1(h), Section 5.2 or Section 6; or failure to comply with any material term or condition governing insurance of Company required pursuant to Section 5.5 for a period of 15 days from the time of receipt of notice under the applicable insurance agreement;

(d) Breach of Representations, etc. Any representation,

warranty, certification or other statement made or deemed made by any Credit Party in any Credit Document or in any statement or certificate at any time given by any Credit Party or any of its

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Subsidiaries in writing pursuant hereto or thereto or in connection herewith or therewith shall be false in any material respect as of the date made or deemed made; or

(e) Other Defaults Under Credit Documents. Any Credit Party

shall default in the performance of or compliance with any term contained herein or any of the other Credit Documents, other than any such term referred to in any other Section of this Section 8.1, and such default shall not have been remedied or waived within thirty (30) days after the earlier of (i) an officer of such Credit Party becoming aware of such default or (ii) receipt by the Borrower of notice from Administrative Agent or any Lender of such default; or

(f) Involuntary Bankruptcy; Appointment of Receiver, etc. (i)

A court of competent jurisdiction shall enter a decree or order for relief in respect of Company or any of its Restricted Subsidiaries in an involuntary case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief shall be granted under any applicable federal or state law; or (ii) an involuntary case shall be commenced against Company or any of its Restricted Subsidiaries under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over Company or any of its Restricted Subsidiaries, or over all or a substantial part of its property, shall have been entered; or there shall have occurred the involuntary appointment of an interim receiver, trustee or other custodian of Company or any of its Restricted Subsidiaries for all or a substantial part of its property; or a warrant of attachment, execution or similar process shall have been issued against any substantial part of the property of Company or any of its Restricted Subsidiaries, and any such event described in this clause (ii) shall continue for sixty (60) days without having been dismissed, bonded or discharged; or

(g) Voluntary Bankruptcy; Appointment of Receiver, etc.. (i)

Company or any of its Restricted Subsidiaries shall have an order for relief entered with respect to it or shall commence a voluntary case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or Company or any of its Restricted Subsidiaries shall make any assignment for the benefit of creditors; or (ii) Company or any of its Restricted Subsidiaries shall be unable, or shall fail generally, or shall admit in writing its inability, to pay its debts as such debts become due; or the board of directors (or similar governing body) of Company or any of its Restricted Subsidiaries (or any committee thereof) shall adopt any resolution or otherwise authorize any action to approve any of the actions referred to herein or in Section 8.1(f); or

(h) Judgments and Attachments. Any money judgment, writ or

warrant of attachment or similar process involving (i) in any individual case an amount in excess of \$250,000 or (ii) in the aggregate at any time an amount in excess of \$1,000,000 (in either case to the extent not adequately covered by insurance as to which a solvent and unaffiliated insurance Company has acknowledged coverage) shall be entered or filed against Company or

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any of its Restricted Subsidiaries or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of sixty (60)

days (or in any event later than five days prior to the date of any proposed sale thereunder); or

(i) Dissolution. Any order, judgment or decree shall be

entered against any Credit Party decreeing the dissolution or split up of such Credit Party and such order shall remain undischarged or unstayed for a period in excess of thirty (30) days; or

(j) Employee Benefit Plans. There shall occur one or more

ERISA Events which individually or in the aggregate results in or might reasonably be expected to result in liability of Company, any of its Restricted Subsidiaries or any of their respective ERISA Affiliates in excess of \$1,500,000 during the term hereof; or there shall exist an amount of unfunded benefit liabilities (as defined in Section 4001(a)(18) of ERISA), individually or in the aggregate for all Pension Plans (excluding for purposes of such computation any Pension Plans with respect to which assets exceed benefit liabilities), which exceeds \$500,000; or

(k) Change of Control. A Change of Control shall occur;

(l) Guaranties, Collateral Documents and other Credit

Documents. At any time after the execution and delivery thereof, (i) the

Guaranty for any reason, other than the satisfaction in full of all Obligations in Cash, shall cease to be in full force and effect (other than in accordance with its terms) or shall be declared to be null and void or any Guarantor shall repudiate its obligations thereunder, (ii) this Agreement or any Collateral Document ceases to be in full force and effect (other than by reason of a release of Collateral in accordance with the terms hereof or thereof or the satisfaction in full of the Obligations in Cash in accordance with the terms hereof) or shall be declared null and void, or Collateral Agent shall not have or shall cease to have a valid and perfected Lien in any Collateral (other than by reason of a release of Collateral in accordance with the terms hereof or thereof or willful misconduct or the part of the Collateral Agent) purported to be covered by the Collateral Documents with the priority required by the relevant Collateral Document, or (iii) any Credit Party shall contest the validity or enforceability of any Credit Document in writing or deny in writing that it has any further liability, including with respect to future advances by Lenders, under any Credit Document to which it is a party; or

(m) The Company or any Restricted Subsidiary is in default on any obligation to make base rental payments under at least one lease with respect to either (i) each of any three Leasehold Properties which are Permitted IBX Facilities or (ii) any Leasehold Properties which are designated as "San Jose IBX" and "Secaucus IBX", respectively, on Schedule 1.1(a).

THEN, (1) upon the occurrence of any Event of Default described in Section 8.1(f) or 8.1(g), automatically, and (2) upon the occurrence of any other Event of Default, at the request of (or with the consent of) Requisite Lenders, upon notice to Company by Administrative Agent, (A) the Tranche B Term Loan Commitments of each Lender having such Tranche B Term Loan Commitments shall immediately terminate; (B) each of the following shall immediately become due and payable, in each case without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by each Credit Party: (i) the unpaid principal

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amount of and accrued interest on the Loans, and (ii) all other Obligations; (C) the Administrative Agent may cause the Collateral Agent to enforce any and all Liens and security interests created pursuant to the Collateral Documents; and (C) the Lenders and Agents may exercise all other remedies available under Applicable Law (or under the Credit Documents).

SECTION 9. AGENTS

9.1 Appointment of Agents. GSCP is hereby appointed a Joint Lead Arranger, a Joint Book Runner and Syndication Agent hereunder, and each Lender hereby authorizes Joint Lead Arranger, Joint Book Runner and Syndication Agent to act as its agents in accordance with the terms hereof and the other Credit Documents. Salomon Smith Barney Inc. is hereby appointed a Joint Lead Arranger and a Joint Book Runner. Citicorp USA, Inc. is hereby appointed Administrative Agent (for purposes of this Section 9, the terms "Administrative Agent" and "Agent" shall also include CIT Lending Services Corporation in its capacity as Collateral Agent pursuant to the Collateral Documents) hereunder and under the other Credit Documents and each Lender hereby authorizes Administrative Agent to act as its agent in accordance with the terms hereof and the other Credit Documents. Each Agent hereby agrees to act upon the express conditions contained herein and the other Credit Documents, as applicable. The provisions of this Section 9 are solely for the benefit of Agents and Lenders and no Credit Party

shall have any rights as a third party beneficiary of any of the provisions thereof. In performing its functions and duties hereunder, each Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Company or any of its Subsidiaries. Each of Joint Lead Arrangers, Joint Book Runners, Syndication Agent and Documentation Agent, without consent of or notice to any party hereto, may assign any and all of its rights or obligations hereunder to any of its Affiliates. As of the Closing Date, all the respective obligations of GSCP and Salomon Smith Barney Inc., in their respective capacities as Joint Lead Arranger and Joint Book Runner and GSCP in its capacity as Syndication Agent, shall terminate (except as otherwise expressly set forth herein). CIT Lending Services Corporation is hereby appointed as the Collateral Agent under the Pledge and Security Agreement and the other Collateral Documents and each Agent and each Lender hereby authorizes CIT Lending Services Corporation to act as Collateral Agent for its benefit and for the benefit of the other Secured Parties hereunder and under the other Credit Documents and each Agent and each Lender hereby authorizes Collateral Agent to act as its agent in accordance with the terms hereof and the other Credit Documents. Each Lender further authorizes the Administrative Agent to be the agent in connection with the Guaranty.

9.2 Powers and Duties. Each Lender irrevocably authorizes each Agent to take such action on such Lender's behalf and to exercise such powers, rights and remedies hereunder and under the other Credit Documents as are specifically delegated or granted to such Agent by the terms hereof and thereof, together with such powers, rights and remedies as are reasonably incidental thereto. Each Agent shall have only those duties and responsibilities that are expressly specified herein and the other Credit Documents. Each Agent may exercise such powers, rights and remedies and perform such duties by or through its agents or employees. No Agent shall have, by reason hereof or any of the other Credit Documents, a fiduciary relationship in respect of any Lender; and nothing herein or any of the other Credit Documents, expressed or implied, is intended to or shall be so construed as to impose upon any Agent any obligations in

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respect hereof or any of the other Credit Documents except as expressly set forth herein or therein.

9.3 General Immunity.

(a) No Responsibility for Certain Matters. No Agent shall be

responsible to any Lender for the execution, effectiveness, genuineness, validity, enforceability, collectability or sufficiency hereof or any other Credit Document or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statements or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made by any of Agent to Lenders or by or on behalf of any Credit Party to any Agent or any Lender in connection with the Credit Documents and the transactions contemplated thereby or for the financial condition or business affairs of any Credit Party or any other Person liable for the payment of any Obligations, nor shall any Agent be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Credit Documents or as to the use of the proceeds of the Loans or as to the existence or possible existence of any Event of Default or Default. Anything contained herein to the contrary notwithstanding, Administrative Agent shall not have any liability arising from confirmations of the amount of outstanding Loans or the component amounts thereof.

(b) Exculpatory Provisions. No Agent nor any of its officers,

partners, directors, employees or agents shall be liable to Lenders for any action taken or omitted by any Agent under or in connection with any of the Credit Documents except to the extent caused by such Agent's gross negligence or willful misconduct. Each Agent shall be entitled to refrain from any act or the taking of any action (including the failure to take an action) in connection herewith or any of the other Credit Documents or from the exercise of any power, discretion or authority vested in it hereunder or thereunder unless and until such Agent shall have received instructions in respect thereof from Requisite Lenders (or such other Lenders as may be required to give such instructions under Section 10.5) and, upon receipt of such instructions from Requisite Lenders (or such other Lenders, as the case may be), such Agent shall be entitled to act or (where so instructed) refrain from acting, or to exercise such power, discretion or authority, in accordance with such instructions. Without prejudice to the generality of the foregoing, (i) each Agent shall be entitled to rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, and shall be entitled to rely and shall be protected in relying on opinions and judgments of attorneys (who may be in-house or attorneys for Company and its Subsidiaries), accountants, experts and other professional advisors selected by it; and (ii) no Lender shall have any right of action whatsoever against any Agent as a result

of such Agent acting or (where so instructed) refraining from acting hereunder or any of the other Credit Documents in accordance with the instructions of Requisite Lenders (or such other Lenders as may be required to give such instructions under Section 10.5).

9.4 Agents Entitled to Act as Lender. The agency hereby created shall in no way impair or affect any of the rights and powers of, or impose any duties or obligations upon, any Agent in its individual capacity as a Lender hereunder. With respect to its participation in the Loans and the Letters of Credit, each Agent, in its individual capacity, shall have the same

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rights and powers hereunder as any other Lender and may exercise the same as if it were not performing the duties and functions delegated to it hereunder, and the term "Lender" shall, unless the context clearly otherwise indicates, include each Agent in its individual capacity. Any Agent, in its individual capacity, and its Affiliates may accept deposits from, lend money to and generally engage in any kind of banking, trust, financial advisory or other business with either Borrower or any of its Affiliates as if it were not performing the duties specified herein, and may accept fees and other consideration from either Borrower for services in connection herewith and otherwise without having to account for the same to Lenders.

9.5 Lenders' Representations, Warranties and Acknowledgment. Each Lender represents and warrants that it has made its own independent investigation of the financial condition and affairs of Company and its Subsidiaries in connection with Credit Extensions hereunder and that it has made and shall continue to make its own appraisal of the creditworthiness of Company and its Subsidiaries. No Agent shall have any duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Lenders or to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter, and no Agent shall have any responsibility with respect to the accuracy of or the completeness of any information provided to Lenders.

9.6 Right to Indemnity. Each Lender, in proportion to its Pro Rata Share, severally agrees to indemnify each Agent, to the extent that such Agent shall not have been reimbursed by any Credit Party, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including reasonable counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Agent in exercising its powers, rights and remedies or performing its duties hereunder or under the other Credit Documents or otherwise in its capacity as such Agent in any way relating to or arising out hereof or the other Credit Documents; provided, no Lender shall be liable for

any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. If any indemnity furnished to any Agent for any purpose shall, in the opinion of such Agent, be insufficient or become impaired, such Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished; provided, in no event shall this sentence require any Lender to

indemnify any Agent against any liability, obligation, loss, damage, penalty, action, judgment, suit, cost, expense or disbursement in excess of such Lender's Pro Rata Share thereof; and provided further, this sentence shall not be deemed

to require any Lender to indemnify any Agent against any liability, obligation, loss, damage, penalty, action, judgment, suit, cost, expense or disbursement described in the proviso in the immediately preceding sentence.

9.7 Successor Administrative Agent and Collateral Agent.

(a) Successor Administrative Agent. Administrative Agent may

resign at any time by giving thirty (30) days' prior written notice thereof to Lenders and the Borrower, and Administrative Agent may be removed at any time with or without cause by an instrument or concurrent instruments in writing delivered to the Borrower and Administrative

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Agent and signed by Requisite Lenders. Upon any such notice of resignation or any such removal, Requisite Lenders shall have the right, with the Borrower's consent (which shall not be unreasonably withheld or delayed and which shall not be required while a Default or Event of Default exists), to appoint a successor Administrative Agent. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Administrative

Agent and the retiring or removed Administrative Agent shall promptly (i) transfer to such successor Administrative Agent all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Administrative Agent under the Credit Documents, and (ii) take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Administrative Agent, whereupon such retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Credit Documents.

(b) Successor Collateral Agent. Collateral Agent may resign at

any time by giving thirty (30) days' prior written notice thereof to Administrative Agent, Lenders and the Borrower, and Collateral Agent may be removed at any time with or without cause by an instrument or concurrent instruments in writing delivered to the Borrower, Collateral Agent and Administrative Agent and signed by Requisite Lenders. Upon any such notice of resignation or any such removal, Requisite Lenders shall have the right, upon five (5) Business Days' notice to the Administrative Agent, following receipt of the Borrower's consent (which shall not be unreasonable withheld or delayed and which shall not be required while an Event of Default exists), to appoint a successor Collateral Agent. Upon the acceptance of any appointment as Collateral Agent hereunder by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Collateral Agent and the retiring or removed Collateral Agent shall promptly (i) transfer to such successor Collateral Agent all sums, Securities and other items of Collateral held under the Collateral Documents, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Collateral Agent under the Credit Documents, and (ii) execute and deliver to such successor Collateral Agent such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Collateral Agent of the security interests created under the Collateral Documents, whereupon such retiring or removed Collateral Agent shall be discharged from its duties and obligations hereunder and under the other Credit Documents.

9.8 Collateral Documents and Guaranty.

(a) Agents under Collateral Documents and Guaranty. Each

Lender hereby further authorizes Administrative Agent or Collateral Agent, as applicable, on behalf of and for the benefit of Lenders, to be the agent for and representative of Lenders with respect to the Guaranty, the Collateral and the Collateral Documents. Subject to Section 10.5, without further written consent or authorization from Lenders, each of Administrative Agent and Collateral Agent, as applicable may execute any documents or instruments necessary to release any Lien encumbering any item of Collateral (i) that is the subject of (A) a sale or other disposition of assets (B) a Lien securing a Permitted Equipment Financing or (ii) to which

Requisite Lenders (or such other Lenders as may be required to give such consent under Section 10.5) have otherwise consented or release any Guarantor from the Guaranty pursuant to Section 7.13 or with respect to which Requisite Lenders (or such other Lenders as may be required to give such consent under Section 10.5) have otherwise consented; provided that in the case of clause (i)(B) above, such release of Lien shall only be effectuated by the delivery of a release, substantially in the form of Exhibit N attached hereto (with such additions and deletions thereto in form and substance satisfactory to the Collateral Agent), together with any other documents or instruments deemed reasonably necessary by the Collateral Agent, by the Collateral Agent to Company. No UCC filings may be made by Company with respect to the foregoing without the written consent of Collateral Agent.

(b) Right to Realize on Collateral and Enforce Guaranty.

Anything contained in any of the Credit Documents to the contrary notwithstanding, each Credit Party, each Agent and each Lender hereby agree that no Lender shall have any right individually to realize upon any of the Collateral or to enforce the Guaranty, it being understood and agreed that all powers, rights and remedies hereunder may be exercised solely by Administrative Agent for the benefit of Secured Parties, in accordance with the terms hereof and all powers, rights and remedies under the Collateral Documents may be exercised solely by Collateral Agent, and in the event of a foreclosure by Collateral Agent on any of the Collateral pursuant to a public or private sale, Collateral Agent or any Lender may be the purchaser of any or all of such Collateral at any such sale and Collateral Agent, as agent for and representative of Secured Parties (but not any Lender or Lenders in its or their respective individual capacities unless Requisite Lenders shall otherwise agree in writing) shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by Collateral Agent at

such sale.

SECTION 10. MISCELLANEOUS

10.1 Notices. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given to a Credit Party, Joint Lead Arrangers, Joint Book Runners, Syndication Agent, Collateral Agent, Administrative Agent, or Documentation Agent, shall be sent to such Person's address as set forth on Appendix B or in the other relevant Credit Document, and in the case of any Lender, the address as indicated on Appendix B or otherwise indicated to Administrative Agent in writing. Each notice hereunder shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service and signed for against receipt thereof, upon receipt of telefacsimile or telex, or three (3) Business Days after depositing it in the United States mail with postage prepaid and properly addressed; provided, no notice to any Agent shall be effective

until received by such Agent.

10.2 Expenses. Whether or not the transactions contemplated hereby shall be consummated, Company agrees to pay promptly all the actual and reasonable costs and expenses of Agents and Lenders associated with the expenses of preparation of the Credit Documents and any consents, amendments, waivers or other modifications thereto; all the costs of furnishing all opinions by counsel for any Credit Party; the reasonable fees, expenses and

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disbursements of counsel to Agents (in each case including allocated costs of internal counsel) in connection with the negotiation, preparation, execution and administration of the Credit Documents and any consents, amendments, waivers or other modifications thereto and any other documents or matters requested by any Credit Party; all the actual costs and reasonable expenses of creating, perfecting, maintaining and terminating Liens in favor of Collateral Agent, for the benefit of Secured Parties pursuant hereto, including filing and recording fees, expenses and taxes, stamp or documentary taxes, search fees, title insurance premiums and reasonable fees, expenses and disbursements of counsel to each Agent and of counsel providing any opinions that any Agent or Requisite Lenders may request in respect of the Collateral or the Liens created pursuant to the Collateral Documents; all the actual costs and reasonable fees, expenses and disbursements of any auditors, accountants, consultants or appraisers; all the actual costs and reasonable expenses (including the reasonable fees, expenses and disbursements of any appraisers, consultants, advisors and agents employed or retained by Administrative Agent or Collateral Agent and their respective counsel) in connection with the custody or preservation of any of the Collateral of the perfection of the Liens thereon; all other actual and reasonable costs and expenses incurred by each Agent in connection with the negotiation, preparation and execution of the Credit Documents and any consents, amendments, waivers or other modifications thereto and the transactions contemplated thereby; and after the occurrence of a Default or an Event of Default, all costs and expenses, including reasonable attorneys' fees (including allocated costs of internal counsel) and costs of settlement, incurred by any Agent and Lenders in enforcing any Obligations of or in collecting any payments due from any Credit Party hereunder or under the other Credit Documents by reason of such Default or Event of Default (including in connection with the sale of, collection from, or other realization upon any of the Collateral or the enforcement of the Guaranty) or in connection with any refinancing or restructuring of the credit arrangements provided hereunder in the nature of a "work-out" or pursuant to any insolvency or bankruptcy cases or proceedings.

10.3 Indemnity. In addition to the payment of expenses pursuant to Section 10.2, whether or not the transactions contemplated hereby shall be consummated, each Credit Party agrees to defend (subject to Indemnitees' selection of counsel), indemnify, pay and hold harmless, each Agent and Lender and their respective Affiliates and each of their and their respective Affiliates' officers, partners, directors, trustees, employees and agents (each, an "Indemnatee"), from and against any and all Indemnified Liabilities; provided, no Credit Party shall have any obligation to any Indemnatee hereunder

with respect to any Indemnified Liabilities to the extent such Indemnified Liabilities arise from the gross negligence or willful misconduct of that Indemnatee, as determined by a court of competent jurisdiction in a final, non-appealable judgment order or decree. To the extent that the undertakings to defend, indemnify, pay and hold harmless set forth in this Section 10.3 may be unenforceable in whole or in part because they are violative of any law or public policy, the applicable Credit Party shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Indemnitees or any of them.

10.4 Set-Off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default each Lender is hereby authorized by each

Credit Party at any time or from time to time subject to the consent of Administrative Agent (such consent not to be unreasonably withheld or delayed), without notice to any Credit Party or to any other Person (other than

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Administrative Agent), any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other Indebtedness at any time held or owing by such Lender to or for the credit or the account of any Credit Party against and on account of the obligations and liabilities of any Credit Party to such Lender hereunder, the Letters of Credit and participations therein and under the other Credit Documents, including all claims of any nature or description arising out of or connected hereto, the Letters of Credit and participations therein or with any other Credit Document, irrespective of whether or not such Lender shall have made any demand hereunder or the principal of or the interest on the Loans or any amounts in respect of the Letters of Credit or any other amounts due hereunder or under any other Credit Documents shall have become due and payable pursuant to Section 2 and although such obligations and liabilities, or any of them, may be contingent or unmatured. Each Credit Party hereby further grants to Administrative Agent and each Lender a security interest in all Deposit Accounts maintained with Administrative Agent or such Lender as security for the Obligations.

10.5 Amendments and Waivers.

(a) Requisite Lenders' Consent. Subject to Sections 10.5(b)

and 10.5(c), no amendment, modification, termination or waiver of any provision of the Credit Documents, or consent to any departure by any Credit Party therefrom, shall in any event be effective without the written concurrence of the Requisite Lenders.

(b) Affected Lenders' Consent. Without the written consent of

each Lender (other than a Defaulting Lender) that would be affected thereby, no amendment, modification, termination, or consent shall be effective if the effect thereof would:

- (i) extend the scheduled final maturity of any Loan or Note;
- (ii) waive, reduce or postpone any scheduled repayment (but not prepayment), or waive or postpone the Tranche B Term Loan Commitment Termination Date;
- (iii) reduce the rate of interest on any Loan (other than any waiver of any increase in the interest rate applicable to any Loan pursuant to Section 2.10) or any fee payable hereunder;
- (iv) extend the time for payment of any such interest or fees;
- (v) reduce the principal amount of any Loan;
- (vi) amend, modify, terminate or waive any provision of this Section 10.5(b) or Section 10.5(c) or Section 10.6(a);
- (vii) amend the definition of "Requisite Lenders" or "Pro Rata Share"; provided, with the consent of Requisite Lenders,

additional extensions of credit pursuant hereto may be included in the determination of "Requisite Lenders" or "Pro Rata Share" on substantially the same basis as the Tranche A Term Loans, the

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Tranche B Term Loan Commitments and the Tranche B Term Loans, are included on the Closing Date;

(viii) release or otherwise subordinate all or substantially all of the Collateral or all or substantially all of the Guarantors (or Company alone) from the Guaranty except as expressly provided in the Credit Documents; or

(ix) consent to the assignment or transfer by any Credit Party of any of its rights and obligations under any Credit Document.

(c) Other Consents. No amendment, modification, termination or

waiver of any provision of the Credit Documents, or consent to any departure by any Credit Party therefrom, shall:

(i) increase any Tranche B Term Loan Commitment of any Lender over the amount thereof then in effect without the consent of such Lender; provided, no amendment, modification or waiver of any -----
condition precedent, covenant, Default or Event of Default shall constitute an increase in any Tranche B Term Loan Commitment of any Lender;

(ii) amend the definition of "Requisite Class Lenders" without the consent of Requisite Class Lenders of each Class affected by such amendment; provided, with the consent of the Requisite Lenders, -----
additional extensions of credit pursuant hereto may be included in the determination of such "Requisite Class Lenders" on substantially the same basis as the Tranche A Term Loans, the Tranche B Term Loan Commitments, and the Tranche B Term Loans, are included on the Closing Date;

(iii) alter the required application of any repayments or prepayments as between Classes pursuant to Section 2.13 without the consent of Requisite Class Lenders of each Class which is being allocated a lesser repayment or prepayment as a result thereof; provided, Requisite Lenders may waive, in whole or in part, any -----
prepayment so long as the application, as between Classes, of any portion of such prepayment which is still required to be made is not altered;

(iv) amend, modify, terminate or waive any conditions to or limitations with respect to borrowing Tranche B Term Loans set forth in Section 3.2 (including, for such purposes of this clause (iv), any amendment, waiver or termination of a condition or covenant referenced in Section 3.2), Section 2.2(a) or any other provisions of this Agreement without the consent of the holders of 66-2/3% of the Tranche B Term Loan Commitments; and

(v) amend, modify, terminate or waive any provision of Section 9 or Section 10 as the same applies to any Agent, or any other provision hereof as the same applies to the rights or obligations of any Agent, in each case without the consent of such Agent.

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(d) Execution of Amendments, etc. Administrative Agent may, -----

but shall have no obligation to, with the concurrence of any Lender, execute amendments, modifications, waivers or consents on behalf of such Lender. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 10.5 shall be binding upon each Lender at the time outstanding, each future Lender and, if signed by a Credit Party, on such Credit Party.

10.6 Successors and Assigns; Participations.

(a) Generally. This Agreement shall be binding upon the -----

parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and the successors and assigns of Lenders. No Credit Party's rights or obligations hereunder nor any interest therein may be assigned or delegated by any Credit Party without the prior written consent of all Lenders.

(b) Register. The Borrower, Administrative Agent and Lenders -----

shall deem and treat the Persons listed as Lenders in the Register as the holders and owners of the corresponding Tranche B Term Loan Commitments and Loans listed therein for all purposes hereof, and no assignment or transfer of any such Tranche B Term Loan Commitment or Loan shall be effective, in each case, unless and until an Assignment Agreement effecting the assignment or transfer thereof shall have been delivered to and accepted by Administrative Agent and recorded in the Register as provided in Section 10.6(e). Prior to such recordation, all amounts owed with respect to the applicable Tranche B Term Loan Commitment or Loan shall be owed to the Lender listed in the Register as the owner thereof, and any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is listed in the Register as a Lender shall be conclusive and binding on any subsequent holder, assignee or transferee of the corresponding Commitments or Loans.

(c) Right to Assign. Each Lender shall have the right at any

time to sell, assign or transfer all or a portion of its rights and obligations under this Agreement, including, without limitation, all or a portion of its Tranche B Term Loan Commitment or Loans owing to it, Note or Notes held by it, or other Obligation (provided, however, that each such assignment shall be of a

uniform, and not varying, percentage of all rights and obligations under and in respect of any Tranche B Term Loan and any related Tranche B Term Loan Commitments):

(i) to any Person meeting the criteria of clause (i) of the definition of the term of "Eligible Assignee" upon the giving of notice to Borrower and Administrative Agent; and

(ii) to any Person meeting the criteria of clause (ii) of the definition of the term of "Eligible Assignee" and, in the case of assignments of Loans or Tranche B Term Loan Commitments to any such Person (except in the case of assignments made by or to GSCP or to another Lender), consented to by Borrower and

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Administrative Agent (such consent not to be (x) unreasonably withheld or delayed or, (y) in the case of Borrower, required at any time an Event of Default shall have occurred and then be continuing; provided

that, in any event, notice of such assignment shall be given promptly to Borrower if its consent is not otherwise required); provided,

further each such assignment pursuant to this Section 10.6(c)(ii) shall be in an aggregate amount of not less than \$1,000,000 (or such lesser amount as may be agreed to by Borrower and Administrative Agent or as shall constitute the aggregate amount of the Tranche B Term Loan Commitments and other Obligations of the assigning Lender).

(d) Mechanics. The assigning Lender and the assignee thereof

shall execute and deliver to Administrative Agent an Assignment Agreement, together with (i) a processing and recordation fee of \$2,000 in the case of all assignments (except that only one fee shall be payable in the case of contemporaneous assignments to Related Funds), and (ii) such forms, certificates or other evidence, if any, with respect to United States federal income tax withholding matters as the assignee under such Assignment Agreement may be

required to deliver to Administrative Agent pursuant to Section 2.19(c).

(e) Notice of Assignment. Upon its receipt of a duly executed

and completed Assignment Agreement, together with the processing and recordation fee referred to in Section 10.6(d) (and any forms, certificates or other evidence required by this Agreement in connection therewith), Administrative Agent shall record the information contained in such Assignment Agreement in the Register, shall give prompt notice thereof to Borrower and shall maintain a copy of such Assignment Agreement.

(f) Representations and Warranties of Assignee. Each Lender,

upon execution and delivery hereof or upon executing and delivering an Assignment Agreement, as the case may be, represents and warrants as of the Closing Date or as of the applicable Effective Date (as defined in the applicable Assignment Agreement) that it is an Eligible Assignee; it has experience and expertise in the making of or investing in commitments or loans such as the applicable Tranche B Term Loan Commitments or Loans, as the case may be; and it will make or invest in, as the case may be, its Tranche B Term Loan Commitments or Loans for its own account in the ordinary course of its business and without a present view to distribution of such Tranche B Term Loan Commitments or Loans within the meaning of the Securities Act or the Exchange Act or other federal securities laws (it being understood that, subject to the provisions of this Section 10.6, the disposition of such Tranche B Term Loan Commitments or Loans or any interests therein shall at all times remain within its exclusive control).

(g) Effect of Assignment. Subject to the terms and conditions

of this Section 10.6, as of the "Effective Date" specified in the applicable Assignment Agreement: the assignee thereunder shall have the rights and obligations of a "Lender" hereunder to the extent such rights and obligations hereunder have been assigned to it pursuant to such Assignment Agreement and shall thereafter be a party hereto and a "Lender" for all purposes hereof; the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned thereby pursuant to such Assignment Agreement, relinquish its rights (other than any rights which survive the termination hereof under Section 10.8) and be released from its obligations hereunder (and, in the case of an Assignment Agreement covering all or the remaining portion of

an assigning Lender's rights and obligations hereunder, such Lender shall

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cease to be a party hereto; provided, anything contained in any of the Credit

Documents to the contrary notwithstanding, (i) such assigning Lender shall continue to be entitled to the benefit of all indemnities hereunder as specified herein with respect to matters arising out of the prior involvement of such assigning Lender as a Lender hereunder; (ii) the Tranche B Term Loan Commitments shall be modified to reflect the Tranche B Term Loan Commitment of such assignee and any remaining Tranche B Term Loan Commitment of such assigning Lender, if any; and (iii) if any such assignment occurs after the issuance of any Note hereunder, the assigning Lender shall, upon the effectiveness of such assignment or as promptly thereafter as practicable, surrender its applicable Notes to Administrative Agent for cancellation, and thereupon Borrower shall issue and deliver new Notes, if so requested by the assignee and/or assigning Lender, to such assignee and/or to such assigning Lender, with appropriate insertions, to reflect the new Commitments and/or outstanding Loans of the assignee and/or the assigning Lender.

(h) Participations. Each Lender shall have the right at any

time to sell one or more participations to any Person (other than Company, any of its Subsidiaries or any of its Affiliates) in all or any part of its Tranche B Term Loan Commitment, Loans or in any other Obligation. The holder of any such participation, other than an Affiliate of the Lender granting such participation, shall not be entitled to require such Lender to take or omit to take any action hereunder except with respect to any amendment modification or waiver that would (i) extend the final scheduled maturity of any Loan or Note in which such participant is participating, or reduce the rate or extend the time of payment of interest or fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Commitment shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof), (ii) consent to the assignment or transfer by any Credit Party of any of its rights and obligations under this Agreement or (iii) release or subordinate all or substantially all of the Collateral under the Collateral Documents or the Guarantors (except as expressly provided in the Credit Documents) supporting the Loans hereunder in which such participant is participating. All amounts payable by any Credit Party hereunder, including amounts payable to such Lender pursuant to Section 2.17(c), 2.18 or 2.19, shall be determined as if such Lender had not sold such participation. Each Credit Party and each Lender hereby acknowledge and agree that, solely for purposes of Sections 2.16 and 10.4, any participation will give rise to a direct obligation of each Credit Party to the participant and the participant shall be considered to be a "Lender."

(i) Certain Other Assignments. In addition to any other

assignment permitted pursuant to this Section 10.6, (i) any Lender may assign and pledge all or any portion of its Loans, the other Obligations owed to such Lender, and its Notes, if any, to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations to any Federal Reserve Bank or as collateral security for any loan or other financing transaction as in or in connection with any securitization or similar transaction, and this Section 10.6 shall not apply to any such pledge or assignment of a security interest or other transaction described herein; provided, (x) no Lender, as between Borrower and such Lender, shall be relieved

of any of its obligations hereunder as a result of any such assignment and pledge, and

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provided further, (y) in no event shall the applicable Federal Reserve Bank or

trustee or other financing party be considered to be a "Lender" or be entitled to require the assigning Lender to take or omit to take any action hereunder and (z) any transfer of the rights and obligations of a "Lender" hereunder to any Person upon the foreclosure of any pledge or security interest referred to in this Section 10.6(i) may only be made pursuant to the provisions of Sections 10.6(c) through (e) governing assignments of interests in the Loans.

10.7 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such

action is taken or condition exists.

10.8 Survival of Representations, Warranties and Agreements. All representations, warranties and agreements made herein shall survive the execution and delivery hereof and the making of any Credit Extension. Notwithstanding anything herein or implied by law to the contrary, the agreements of each Credit Party set forth in Sections 2.17(c), 2.18, 2.19, 10.2, 10.3 and 10.4 and the agreements of Lenders set forth in Sections 2.16 and 9.6 shall survive the payment of the Loans.

10.9 No Waiver; Remedies Cumulative. No failure or delay on the part of any Agent or any Lender in the exercise of any power, right or privilege hereunder or under any other Credit Document shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. The rights, powers and remedies given to each Agent and each Lender hereby are cumulative and shall be in addition to and independent of all rights, powers and remedies existing by virtue of any statute or rule of law or in any of the other Credit Documents or any of the Hedge Agreements. Any forbearance or failure to exercise, and any delay in exercising, any right, power or remedy hereunder shall not impair any such right, power or remedy or be construed to be a waiver thereof, nor shall it preclude the further exercise of any such right, power or remedy.

10.10 Marshalling; Payments Set Aside. Neither any Agent nor any Lender shall be under any obligation to marshal any assets in favor of any Credit Party or any other Person or against or in payment of any or all of the Obligations. To the extent that any Credit Party makes a payment or payments to Administrative Agent or Lenders (or to Administrative Agent, on behalf of Lenders), or Collateral Agent, Administrative Agent or Lenders enforce any security interests or exercise their rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, any other state or federal law, common law or any equitable cause (whether by demand, settlement, litigation or otherwise), then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor or related thereto, shall be revived and continued in full force and effect as if such payment or payments had not been made or such enforcement or setoff had not occurred.

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10.11 Severability. In case any provision in or obligation hereunder or any Note shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

10.12 Entire Agreement. This Agreement (together with the Exhibits hereto, the Schedules hereto and the other agreements, documents and instruments delivered in connection herewith) and the Credit Documents constitute the entire

agreement among the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties or any of them with respect to the subject matter hereof.

10.13 Obligations Several; Independent Nature of Lenders' Rights. The obligations of Lenders hereunder are several and no Lender shall be responsible for the obligations or Tranche B Term Loan Commitment of any other Lender hereunder. Nothing contained herein or in any other Credit Document, and no action taken by Lenders pursuant hereto or thereto, shall be deemed to constitute Lenders as a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each Lender shall be entitled to protect and enforce its rights arising hereunder and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

10.14 Headings. Section headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

10.15 APPLICABLE LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401, SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

10.16 CONSENT TO JURISDICTION. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY CREDIT PARTY ARISING OUT OF OR RELATING HERETO OR ANY OTHER CREDIT DOCUMENT, OR ANY OF THE OBLIGATIONS, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH CREDIT PARTY, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS; WAIVES ANY DEFENSE OF FORUM NON CONVENIENS; AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE APPLICABLE CREDIT PARTY AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 10.1; AGREES THAT SERVICE AS PROVIDED IN CLAUSE (c) ABOVE IS

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SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER THE APPLICABLE CREDIT PARTY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHER WISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; AND AGREES AGENTS AND LENDERS RETAIN THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST ANY CREDIT PARTY IN THE COURTS OF ANY OTHER JURISDICTION.

10.17 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR UNDER ANY OF THE OTHER CREDIT DOCUMENTS OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 10.17 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO OR ANY OF THE OTHER CREDIT DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS MADE HEREUNDER. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

10.18 Confidentiality. Each Lender shall hold all non-public information obtained pursuant to the requirements hereof and sufficiently identified to such Lender as being non-public which has been identified as confidential by Borrower in accordance with such Lender's customary procedures for handling confidential information of this nature and in accordance with prudent lending or investing practices, it being understood and agreed by each Borrower that in any event a Lender may make disclosures to Affiliates of such Lender (and to other persons authorized by a Lender or Agent to organize, present or disseminate such information in connection with disclosures otherwise made in accordance with this Section 10.18), disclosures reasonably required by any bona fide or potential assignee, transferee or participant in connection with the contemplated assignment, transfer or participation by such Lender of any Loans, Tranche B Term Loan Commitments and other Obligations or any

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participations therein or by any direct or indirect contractual counterparties (or the professional advisors thereto) in Hedge Agreements (provided, such counterparties and advisors are advised of and agree to be bound by the provisions of this Section 10.18) or disclosures required or requested by any governmental agency or representative thereof or by the NAIC or pursuant to legal process; provided, unless specifically prohibited by applicable law or

court order, each Lender shall make reasonable efforts to notify Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with any examination of the financial condition or other routine examination of such Lender by such governmental agency) for disclosure of any such non-public information prior to disclosure of such information; provided, further, that in no event shall any Lender be obligated

or required to return any materials furnished by Company or any of its Subsidiaries; and provided, further, that notwithstanding the foregoing, each

Lender and its Affiliates shall have the right to (i) list the name and logo of Borrower and the Guarantors, as provided by Borrower and the Guarantors from time to time, and describe the transaction that is the subject of this Agreement in their marketing materials and (ii) post such information, including, without limitation, a customary "tombstone", on its web site.

10.19 Usury Savings Clause. Notwithstanding any other provision herein, the aggregate interest rate charged with respect to any of the Obligations, including all charges or fees in connection therewith deemed in the nature of interest under applicable law shall not exceed the Highest Lawful Rate. If the rate of interest (determined without regard to the preceding sentence) under this Agreement (which for the avoidance of doubt shall include any rate of interest under the Existing Credit Agreement) at any time exceeds the Highest Lawful Rate, the outstanding amount of the Loans made hereunder shall bear interest at the Highest Lawful Rate until the total amount of interest due hereunder equals the amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect. In addition, if when the Loans made hereunder are repaid in full the total interest due hereunder (taking into account the increase provided for above) is less than the total amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement had at all times been in effect, then to the extent permitted by law, Borrower shall pay to Administrative Agent, for the account of the Lenders, an amount equal to the difference between the amount of interest paid and the amount of interest which would have been paid if the Highest Lawful Rate had at all times been in effect. Notwithstanding the foregoing, it is the intention of Lenders and each Borrower to conform strictly to any applicable usury laws. Accordingly, if any Lender contracts for, charges, or receives any consideration which constitutes interest in excess of the Highest Lawful Rate, then any such excess shall be cancelled automatically and, if previously paid, shall at such Lender's option be applied to the outstanding amount of the Loans made hereunder or be refunded to Borrower.

10.20 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

10.21 Effectiveness. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto and receipt by Company and Administrative Agent of written or telephonic notification of such execution and authorization of delivery thereof.

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10.22 General Release. In consideration of the Agent's and Lenders' execution of this Agreement, each Credit Party unconditionally and irrevocably acquits and fully and forever releases and discharges each Lender, and Agent and all their respective affiliates, partners, subsidiaries, officers, employees, agents, attorneys, principals, directors and shareholders of such Persons, and their respective heirs, legal representatives, successors and assigns (collectively, the "Releasees") from any and all claims, demands, causes of action, obligations, remedies, suits, damages and liabilities of any nature whatsoever, whether now known, suspected or claimed, whether arising under common law, in equity or under statute, which such Credit Party ever had or now has against any of the Releasees and which may have arisen at any time prior to the date hereof and which were in any manner related to the Existing Credit Agreement, this Agreement, any other Credit Document now or hereafter in existence or related documents, instruments or agreements or the enforcement or attempted or threatened enforcement by any of the Releasees of any of their respective rights, remedies or recourse related thereto (collectively, the "Released Claims"). Each Credit Party covenants and agrees never to commence, voluntarily aid in any way, prosecute or cause to be commenced or prosecuted against any of the Releasees any action or other proceeding based upon any of the Released Claims.

10.23 Amendment and Restatement. This Agreement is an amendment and restatement of the Existing Credit Agreement, and, as such, all terms and provisions supersede in their entirety the Existing Credit Agreement. All other Collateral Documents previously delivered shall continue to secure the Obligations as herein defined, and shall be in full force and effect as amended and restated by this Agreement and the other Credit Documents. The Credit Parties by executing this Agreement hereby reaffirm all of the Obligations under the Existing Credit Agreement and the other Credit Documents, as amended hereby

[Remainder of page intentionally left blank]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

EQUINIX, INC.

By: _____
Name:
Title:

EQUINIX OPERATING CO., INC.

By: _____
Name:
Title:

EQUINIX EUROPE, INC.

By: _____
Name:
Title:

GOLDMAN SACHS CREDIT PARTNERS
L.P., as Joint Lead Arranger, Joint Book
Runner, Syndication Agent and a Lender

By: _____
Authorized Signatory

SALOMON SMITH BARNEY INC.,
as Joint Lead Arranger and Joint Book
Runner

By: _____
Authorized Signatory

CITICORP USA, INC.,
as Administrative Agent, and a Lender

By: _____
Name:
Title:

CIT LENDING SERVICES
CORPORATION, as Collateral Agent and a
Lender

By: _____
Name:
Title:

GENERAL ELECTRIC CAPITAL
CORPORATION, as a Lender

By: _____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY, as a Lender

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA,
as a Lender

By: _____

Name:
Title:

THE CHASE MANHATTAN BANK,
as a Lender

By: _____
Name:
Title:

COMERICA BANK, CALIFORNIA,
as a Lender

By: _____
Name:
Title:

APPENDIX A-1
TO CREDIT AND GUARANTY AGREEMENT

Outstandings under Existing Credit Agreement

Lender	Outstandings under Existing Credit Agreement	Pro Rata Share
Goldman Sachs Credit Partners L.P.	\$ 27,500,000	18.33%
Citicorp USA, Inc./Salomon Smith Barney Inc.	\$ 27,500,000	18.33%
General Electric Capital Corporation	\$ 25,000,000	16.67%
The Chase Manhattan Bank	\$ 20,000,000	13.33%
CIT Lending Services Corporation	\$ 15,000,000	10.00%
The Bank of Nova Scotia	\$ 15,000,000	10.00%
Bank of Tokyo-Mitsubishi Trust Company	\$ 15,000,000	10.00%
Comerica Bank, California	\$ 5,000,000	3.33%
Total	\$150,000,000	100%

APPENDIX A-2
TO CREDIT AND GUARANTY AGREEMENT

Tranche A Term Loan Pro Rata Shares

Lender	Tranche A Term Loans	Pro Rata Share
Goldman Sachs Credit Partners L.P.	\$18,333,333.34	18.33%
Citicorp USA, Inc./Salomon Smith Barney Inc.	\$18,333,333.33	18.33%
General Electric Capital Corporation	\$16,666,666.67	16.67%
The Chase Manhattan Bank	\$13,333,333.33	13.33%
CIT Lending Services Corporation	\$ 10,000,000	10.00%
The Bank of Nova Scotia	\$ 10,000,000	10.00%
Bank of Tokyo-Mitsubishi Trust Company	\$ 10,000,000	10.00%
Comerica Bank, California	\$ 3,333,333.33	3.33%

Total \$ 100,000,000 100%

APPENDIX A-3
TO CREDIT AND GUARANTY AGREEMENT

Tranche B Term Loan Commitments Pro Rata Shares

Lender	Tranche B Term Loan Commitment	Pro Rata Share
Goldman Sachs Credit Partners L.P.	\$4,583,333.33	18.33%
Citicorp USA, Inc./Salomon Smith Barney Inc.	\$4,583,333.34	18.33%
General Electric Capital Corporation	\$4,166,666.67	16.67%
The Chase Manhattan Bank	\$3,333,333.33	13.33%
CIT Lending Services Corporation	\$ 2,500,000	10.00%
The Bank of Nova Scotia	\$ 2,500,000	10.00%
Bank of Tokyo-Mitsubishi Trust Company	\$ 2,500,000	10.00%
Comerica Bank, California	\$ 833,333.33	3.33%
Total	\$ 25,000,000	100%

APPENDIX A-3-1

APPENDIX B
TO CREDIT AND GUARANTY AGREEMENT

Notice Addresses

EQUINIX, INC.
2450 Bayshore Parkway
Mountain View, CA 94043
Attention: Renee Lanam
Telecopier: (650) 316-6909

EQUINIX OPERATING CO., INC.
2450 Bayshore Parkway
Mountain View, CA 94043
Attention: Renee Lanam
Telecopier: (650) 316-6909

EQUINIX EUROPE, INC.
2450 Bayshore Parkway
Mountain View, CA 94043
Attention: Renee Lanam
Telecopier: (650) 316-6909

in each case, with a copy to:
Gray Cary Ware & Freidenrich, LLP
400 Hamilton Avenue
Palo Alto, CA 94301
Attention: Craig Tighe
Telecopier: (650) 327-3699

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Joint Lead Arranger, Joint Book Runner,
Syndication Agent and a Lender

Goldman Sachs Credit Partners L.P.
85 Broad Street
New York, New York 10004
Attention: Steve King
Telecopier: (212) 357-0932

with a copy to:

Goldman Sachs Credit Partners L.P.

85 Broad Street
New York, New York 10004
Attention: Lisa Perrotto
Telecopier: (212) 346-2608

APPENDIX B-2

SALOMON SMITH BARNEY INC.,
as Joint Lead Arranger and Joint Book Runner

153 East 53rd Street
20th Floor, Zone 7
New York, New York 10043
Attention Michael Becker
Telecopier: (212) 793-2510

APPENDIX B-3

CITICORP USA, INC.,
as Administrative Agent and a Lender

Administrative Agent's Principal Office:
153 East 53rd Street
20th Floor, Zone 7
New York, New York 10043
Attention Michael Becker
Telecopier: (212) 793-2510

APPENDIX B-4

CIT LENDING SERVICES CORPORATION
as Collateral Agent and a Lender

44 Whippany Road, Suite 160
Morristown, NJ 07960
Attention: Vice-President - Credit
Telecopier: (973) 401-6785

with a copy to:
Vice-President - Legal
Telecopier: (973) 401-6762

APPENDIX B-5

GENERAL ELECTRIC CAPITAL CORPORATION,
as a Lender

GE Capital Structured Finance Group
120 Long Ridge Road

Stamford, CT 06927
Attention: John Chang
Telecopier: 203-961-5375

APPENDIX B-6

BANK OF TOKYO-MITSUBISHI TRUST COMPANY,
as a Lender

1251 Avenue of the Americas
New York, NY 10020-1104
Attention: Michael Wiskind - Vice President
Telecopier: (212) 782-4935

APPENDIX B-7

THE BANK OF NOVA SCOTIA,
as a Lender

One Liberty Plaza, 26th Floor
New York, New York 10006
Attention: Robert Cole
Telecopier: (212) 225-5090

APPENDIX B-8

THE CHASE MANHATTAN BANK,
as a Lender

Global Media and Telecommunications Group
270 Park Avenue, 36/th/ Floor
New York, New York 10017
Attention: Edmond Deforest, Vice President
Telecopier: (212) 270-4584

APPENDIX B-9

COMERICA BANK, CALIFORNIA,
as a Lender

800 Oak Grove Ave
Menlo Park, CA 94025
Attention: Sarah Lewis
Telecopier: (650) 462-6058

APPENDIX B-10

EQUINIX, INC.

2001 Supplemental Stock Plan
(As Adopted SEPTEMBER 26, 2001)

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EQUINIX, INC.
2001 Supplemental Stock Plan

ARTICLE I INTRODUCTION.

The Plan was adopted by the Board to be effective on September 26, 2001. The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging Employees and Consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of Employees and Consultants with exceptional qualifications, and (c) linking Employees and Consultants directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for awards in the form of Restricted Shares or Options (which shall be nonstatutory stock options).

The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware (except their choice-of-law provisions).

ARTICLE II ADMINISTRATION.

2.1 Committee Composition. The Plan shall be administered by the Committee. The Committee shall consist exclusively of one or more directors of the Company, who shall be appointed by the Board.

2.2 Committee Responsibilities. The Committee shall (a) select the Employees and Consultants who are to receive awards under the Plan, (b) determine the type, number, vesting requirements and other features and conditions of such awards, (c) interpret the Plan and (d) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

ARTICLE III SHARES AVAILABLE FOR GRANTS.

3.1 Basic Limitation. Shares of Common Stock issued pursuant to the Plan may be authorized but unissued shares or treasury shares or re-acquired shares. The aggregate number of Options and Restricted Shares awarded under the Plan shall not exceed (a) 5,000,000, plus (b) the additional shares of Common Stock described in Sections 3.2 and 3.3. The limitations of this Section 3.1 and Section 3.2 shall be subject to adjustment pursuant to Article 9.

3.2 Additional Shares. If Restricted Shares or shares of Common Stock issued upon the exercise of Options are forfeited, then such shares of Common Stock shall again become available for awards under the Plan. If Options are forfeited or terminate for any other reason before being exercised, then the corresponding shares of Common Stock shall again become available for awards under the Plan.

3.3 Dividend Equivalents. Any dividend equivalents paid or credited under the Plan shall not be applied against the number of Restricted Shares or Options available for awards.

ARTICLE IV ELIGIBILITY.

4.1 Other Grants. Employees and Consultants shall be eligible for the grant of Restricted Shares and NSOs. Outside Directors and Executive Officers shall not be eligible for awards under the Plan.

ARTICLE V OPTIONS.

5.1 Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. Options may be granted in consideration of a reduction in the Optionee's other compensation. A Stock Option Agreement may provide that a new Option will be granted automatically to the Optionee when he or she exercises a prior Option and pays the Exercise Price in the form described in Section 6.2.

5.2 Number of Shares. Each Stock Option Agreement shall specify the number of shares of Common Stock subject to the Option and shall provide for the adjustment of such number in accordance with Article 9.

5.3 Exercise Price. Each Stock Option Agreement shall specify the Exercise Price; provided that the Exercise Price under an NSO shall in no event be less than 85% of the Fair Market Value of a Common Share on the date of grant. A Stock Option Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the NSO is outstanding.

5.4 Exercisability and Term. Each Stock Option Agreement shall

specify the date or event when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service.

5.5 Modification or Assumption of Options. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new options for the same or a different number of shares and at the same or a different exercise price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such Option.

5.6 Buyout Provisions. The Committee may at any time (a) offer to buy out for a payment in cash or cash equivalents an Option previously granted or (b) authorize an

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Optionee to elect to cash out an Option previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

ARTICLE VI PAYMENT FOR OPTION SHARES.

6.1 General Rule. The entire Exercise Price of shares of Common Stock issued upon exercise of Options shall be payable in cash or cash equivalents at the time when such shares of Common Stock are purchased and the Committee may at any time accept payment in any form(s) described in this Article 6.

6.2 Surrender of Stock. To the extent that this Section 6.2 is applicable, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, shares of Common Stock that are already owned by the Optionee. Such shares of Common Stock shall be valued at their Fair Market Value on the date when the new shares of Common Stock are purchased under the Plan. The Optionee shall not surrender, or attest to the ownership of, shares of Common Stock in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

6.3 Exercise/Sale. To the extent that this Section 6.3 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the shares of Common Stock being purchased under the Plan and to deliver all or part of the sales proceeds to the Company.

6.4 Exercise/Pledge. To the extent that this Section 6.4 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to pledge all or part of the shares of Common Stock being purchased under the Plan to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company.

6.5 Promissory Note. To the extent that this Section 6.5 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) a full-recourse promissory note. However, the par value of the shares of Common Stock being purchased under the Plan, if newly issued, shall be paid in cash or cash equivalents.

6.6 Other Forms of Payment. To the extent that this Section 6.6 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid in any other form that is consistent with applicable laws, regulations and rules.

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ARTICLE VII RESTRICTED SHARES.

7.1 Restricted Stock Agreement. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

7.2 Payment for awards. Subject to the following sentence,

Restricted Shares may be sold or awarded under the Plan for such consideration as the Committee may determine, including (without limitation) cash, cash equivalents, full-recourse promissory notes, past services and future services. To the extent that an award consists of newly issued Restricted Shares, the consideration shall consist exclusively of cash, cash equivalents or past services rendered to the Company (or a Parent or Subsidiary) or, for the amount in excess of the par value of such newly issued Restricted Shares, full-recourse promissory notes, as the Committee may determine.

7.3 Vesting Conditions. Each award of Restricted Shares may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. A Restricted Stock Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events.

7.4 Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders. A Restricted Stock Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the award with respect to which the dividends were paid.

ARTICLE VIII CHANGE IN CONTROL.

8.1 Effect of Change in Control. In the event of any Change in Control, each outstanding award shall automatically accelerate so that each such award shall, immediately prior to the effective date of the Change in Control, become fully exercisable for all of the shares of Common Stock at the time subject to such award and may be exercised for any or all of those shares as fully-vested shares of Common Stock. However, an outstanding award shall not so accelerate if and to the extent such award is, in connection with the Change in Control, either to be assumed by the successor corporation (or parent thereof) or to be replaced with a comparable award for shares of the capital stock of the successor corporation (or parent thereof). The determination of award comparability shall be made by the Plan Administrator, and its determination shall be final, binding and conclusive.

8.2 Involuntary Termination. In addition, in the event that the award is assumed by the successor corporation (or parent thereof) and the Participant experiences an Involuntary Termination within eighteen months following a Change in Control, each outstanding award shall automatically accelerate so that each such award shall, immediately

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prior to the effective date of the Involuntary Termination, become fully exercisable for all of the shares of Common Stock at the time subject to such award and may be exercised for any or all of those shares as fully-vested shares of Common Stock.

ARTICLE IX. PROTECTION AGAINST DILUTION.

9.1 Adjustments. In the event of a subdivision of the outstanding shares of Common Stock, a declaration of a dividend payable in shares of Common Stock, a declaration of a dividend payable in a form other than shares of Common Stock in an amount that has a material affect on the price of shares of Common Stock, a combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a lesser number of shares of Common Stock, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such adjustments as it deems appropriate in order to prevent the dilution or enlargement of benefits thereunder, in one or more of:

(a) The number of Options or Restricted Shares available for future awards under Article 3;

(b) The number of shares of Common Stock covered by each outstanding Option; or

(c) The Exercise Price under each outstanding Option.

Except as provided in this Article 9, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

9.2 Dissolution or Liquidation. To the extent not previously exercised or settled, Options shall terminate immediately prior to the dissolution or liquidation of the Company.

9.3 Reorganizations. In the event that the Company is a party to a merger or other reorganization, outstanding awards shall be subject to the agreement of merger or reorganization. Such agreement shall provide for (a) the

continuation of the outstanding awards by the Company, if the Company is a surviving corporation, (b) the assumption of the outstanding awards by the surviving corporation or its parent or subsidiary, (c) the substitution by the surviving corporation or its parent or subsidiary of its own awards for the outstanding awards, (d) full exercisability or vesting and accelerated expiration of the outstanding awards or (e) settlement of the full value of the outstanding awards in cash or cash equivalents followed by cancellation of such awards.

ARTICLE X. DEFERRAL OF AWARDS.

The Committee (in its sole discretion) may permit or require a Participant to have shares of Common Stock that otherwise would be delivered to such Participant as a result of the exercise of an Option converted into amounts credited to a deferred compensation account established for such Participant by the Committee as an entry on the Company's books. Such

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amounts shall be determined by reference to the Fair Market Value of such shares of Common Stock as of the date when they otherwise would have been delivered to such Participant.

A deferred compensation account established under this Article 10 may be credited with interest or other forms of investment return, as determined by the Committee. A Participant for whom such an account is established shall have no rights other than those of a general creditor of the Company. Such an account shall represent an unfunded and unsecured obligation of the Company and shall be subject to the terms and conditions of the applicable agreement between such Participant and the Company. If the deferral or conversion of awards is permitted or required, the Committee (in its sole discretion) may establish rules, procedures and forms pertaining to such awards, including (without limitation) the settlement of deferred compensation accounts established under this Article 10.

ARTICLE XI. LIMITATION ON RIGHTS.

11.1 Retention Rights. Neither the Plan nor any award granted under the Plan shall be deemed to give any individual a right to remain an Employee or Consultant. The Company and its Parents, Subsidiaries and Affiliates reserve the right to terminate the service of any Employee, or Consultant at any time, with or without cause, subject to applicable laws, the Company's certificate of incorporation and by-laws and a written employment agreement (if any).

11.2 Stockholders' Rights. A Participant shall have no dividend rights, voting rights or other rights as a stockholder with respect to any shares of Common Stock covered by his or her award prior to the time when a stock certificate for such shares of Common Stock is issued or, if applicable, the time when he or she becomes entitled to receive such shares of Common Stock by filing any required notice of exercise and paying any required Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

11.3 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue shares of Common Stock under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of shares of Common Stock pursuant to any award prior to the satisfaction of all legal requirements relating to the issuance of such shares of Common Stock, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

ARTICLE XII. WITHHOLDING TAXES.

12.1 General. To the extent required by applicable federal, state, local or foreign law, a Participant or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any shares of Common Stock or make any cash payment under the Plan until such obligations are satisfied.

12.2 Share Withholding. The Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold

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all or a portion of any shares of Common Stock that otherwise would be issued to him or her or by surrendering all or a portion of any shares of Common Stock that he or she previously acquired. Such shares of Common Stock shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash.

ARTICLE XIII. FUTURE OF THE PLAN.

13.1 Term of the Plan. The Plan, as set forth herein, shall become effective on September 26, 2001. The Plan shall remain in effect until it is terminated under Section 13.2.

13.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules. No awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any award previously granted under the Plan.

ARTICLE XIV. DEFINITIONS.

14.1 "Affiliate" means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

14.2 "Board" means the Company's Board of Directors, as constituted from time to time.

14.3 "Change in Control" shall mean:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board, as a result of which fewer than 50% of the incumbent directors are directors who either (i) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least 50% of the total voting power represented by the Company's

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then outstanding voting securities. For purposes of this Paragraph (d), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or of a Parent or Subsidiary and (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

14.4 "Code" means the Internal Revenue Code of 1986, as amended.

14.5 "Committee" means a committee of the Board, as described in Article 2.

14.6 "Common Stock" means the common stock of the Company.

14.7 "Company" means Equinix, Inc., a Delaware corporation.

14.8 "Consultant" means a consultant or adviser who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor. Service as a Consultant shall be considered employment for all purposes of the Plan, except as provided in Section 4.1.

14.9 "Employee" means a common-law employee of the Company, a Parent, a Subsidiary or an Affiliate.

14.10 "Exchange Act" means the Securities Exchange Act of 1934, as

amended.

14.11 "Exercise Price," in the case of an Option, means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement.

14.12 "Executive Officer" means an officer of the Company who is subject to the short-swing profit rules under Section 16 of the Exchange Act.

14.13 "Fair Market Value" means the market price of one share of Common Stock, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in The Wall Street Journal. Such determination shall be conclusive and binding on all persons.

14.14 "Involuntary Termination" means the termination of the Service of any individual which occurs by reason of:

(a) such individual's involuntary dismissal or discharge by the Company for reasons other than Misconduct, or

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(b) such individual's voluntary resignation following (A) a change in his or her position with the Company which materially reduces his or her level of responsibility, (B) a reduction in his or her level of compensation (including base salary, fringe benefits and participation in bonus or incentive programs) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Company without the individual's consent.

14.15 "Misconduct" means the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Company (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Company (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Company (or any Parent or Subsidiary) may consider as grounds for the dismissal or discharge of any Optionee or Participant or other person in the Service of the Company (or any Parent or Subsidiary).

14.16 "NSO" means a stock option not described in sections 422 or 423 of the Code.

14.17 "Option" means an NSO granted under the Plan and entitling the holder to purchase shares of Common Stock.

14.18 "Optionee" means an individual or estate who holds an Option.

14.19 "Outside Director" shall mean a member of the Board who is not an Employee.

14.20 "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

14.21 "Plan" means this Equinix, Inc. 2001 Supplemental Stock Plan, as amended from time to time.

14.22 "Restricted Share" means a Common Share awarded under the Plan.

14.23 "Restricted Stock Agreement" means the agreement between the Company and the recipient of a Restricted Share which contains the terms, conditions and restrictions pertaining to such Restricted Share.

14.24 "Stock Option Agreement" means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

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14.25 "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be

considered a Subsidiary commencing as of such date.