AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 7, 1999

REGISTRATION NO. 333-84035

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INTERNAP NETWORK SERVICES CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

WASHINGTON	7374	91-896926
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

601 UNION STREET, SUITE 1000
SEATTLE, WASHINGTON 98101
(206) 441-8800
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

ANTHONY C. NAUGHTIN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
INTERNAP NETWORK SERVICES CORPORATION
601 UNION STREET, SUITE 1000
SEATTLE, WASHINGTON 98101
(206) 441-8800
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Common Stock, $.001 par value per share.....	10,005,000	$15.00	$150,075,000	$41,721(3)

(1) Includes 1,305,000 shares which the underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(g) under the Securities Act of 1933, as amended.

(3) $41,700 of this amount has been previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS (Subject to Completion)

Issued September 7, 1999

8,700,000 Shares

[INTERNAP LOGO]

COMMON STOCK

INTERNAP NETWORK SERVICES CORPORATION IS OFFERING 8,700,000 SHARES OF ITS COMMON STOCK. THIS IS OUR INITIAL PUBLIC OFFERING AND NO PUBLIC MARKET CURRENTLY EXISTS FOR OUR SHARES. WE ANTICIPATE THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $13 AND $15 PER SHARE.

WE HAVE APPLIED TO LIST OUR COMMON STOCK ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "INAP."

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO INTERNAP
Per Share	$	$	$
Total	$	$	$

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

InterNAP has granted the underwriters the right to purchase up to an additional 1,305,000 shares of common stock to cover over-allotments. Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on , 1999.

MORGAN STANLEY DEAN WITTER
CREDIT SUISSE FIRST BOSTON
DONALDSON, LUFKIN & JENRETTE
HAMBRECHT & QUIST

, 1999

The current Internet architecture was not designed for today's level of traffic flows resulting in slow and unreliable Internet performance.

A cause of slow performance on the Internet results from data getting lost as it travels from one network to another. This causes slow and unreliable performance that can frustrate Internet users.

Internet data loss

[Graphic depicting interaction between network backbones and public network access points and private peering points]

InterNAP provides high performance Internet connectivity service that is faster and more reliable than conventional service.

Delivering network quality without peer.(TM)

Our Private-Network Access Point, or P-NAP, routes data over the Internet in a way that reduces data loss, resulting in better Internet performance and quality of service for Internet users.

Direct delivery routing minimizes data loss

[Graphic depicting interaction between network backbones and InterNAP P-NAP]

(Inside Back Cover)

*
INTERNAP
1999 P-NAP Locations

[Graphic of map depicting 1999 P-NAP locations]

* Operational P-NAPs

* P-NAPs to be operational by the end of 1999

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock.

In this prospectus, "InterNAP," "we," "us," and "our" refer to InterNAP Network Services Corporation and not to the underwriters. Unless otherwise indicated, all information contained in this prospectus:

- Gives effect to the conversion of all outstanding shares of preferred stock into 49,469,479 shares of common stock upon the closing of this offering; and

- Assumes no exercise of the underwriters' over-allotment option.

UNTIL , 1999, 25 DAYS AFTER COMMENCEMENT OF THIS OFFERING, ALL DEALERS THAT BUY, SELL OR TRADE OUR COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and the common stock being sold in this offering, risks affecting our company and our financial statements and the notes to our financial statements appearing elsewhere in this prospectus.

INTERNAP NETWORK SERVICES CORPORATION

InterNAP is a leading provider of fast, reliable and centrally managed Internet connectivity services targeted at businesses seeking to maximize the

performance of mission-critical Internet-based applications. Customers connected to one of our Private-Network Access Points, or P-NAPs, which are our patented network routing infrastructures coupled with our proprietary ASsimilator routing technology, have their data optimally routed to and from destinations on the Internet in a manner that minimizes data loss resulting in better performance. We offer our high performance Internet connectivity services at dedicated line speeds of 1.5 Megabits per second, or Mbps, to 155 Mbps to customers desiring higher transmission speeds, lower instances of data loss and greater quality of service than they could receive from conventional Internet connectivity providers. As of June 30, 1999, we provided consistent high performance Internet connectivity services to approximately 120 customers, including Amazon.com, Fidelity Investments, Go2Net, ITXC, Nasdaq, TheStreet.com and WebTV.

THE OPPORTUNITY

The Internet is rapidly becoming a critically important medium for communications and commerce. However, businesses are unable to benefit from the full potential of the Internet due, in part, to slow and unreliable data transfers. This results primarily from the way Internet backbone networks exchange data, current routing technologies and the Internet's architecture, which was not designed to support today's large volumes of traffic. To compound this problem, Internet traffic is expected to grow rapidly. In addition, widespread adoption of applications that rely on network quality require consistent, high speed data transfer. We believe the future of Internet connectivity services will be driven by providers that, through high performance Internet routing services, enable businesses to successfully execute their mission-critical Internet-based applications over the public network infrastructures.

OUR SOLUTION

We provide high performance Internet connectivity services through the deployment of P-NAPs. Our P-NAPs maintain high speed, dedicated connections to major global Internet backbone networks, such as AGIS, AT&T, Cable & Wireless USA, GTE Internetworking, ICG Communications, Intermedia, PSINet, Sprint, UUNET and Verio. In addition, we have entered into a traffic exchange interconnect agreement with America Online, Inc. Our technology platform optimally routes our customers' data through these multiple backbone networks, generally bypassing Internet traffic congestion and reducing data loss that frequently occurs at Internet data exchange points known as public network access points and private peering points. We currently operate eight P-NAPs which are located in the Atlanta, Boston, Chicago, Los Angeles, New York, San Jose, Seattle and Washington, D.C. metropolitan areas, and expect to complete the deployment of four additional P-NAPs in the Dallas, Miami, New York and Philadelphia metropolitan areas by the end of 1999.

Our services provide the following key advantages:

- High Performance Connectivity. We route our customers' traffic over the Internet in a way that we believe provides consistently greater speed, superior end-to-end control, predictability and reliability, than services offered by conventional Internet connectivity providers.

- Highly Reliable Network Architecture. P-NAPs are designed with a highly redundant network infrastructure, such that any of the Internet backbones connected to a P-NAP can be used to instantly reroute customers' data in the event of a backbone provider network outage.

- Superior Route Optimization and Management. Our proprietary routing technology and network management system provide us with data to manage

network traffic and to offer economic settlements to backbone providers for the transfer of our customers' data.

- Scalability and Flexibility. We manage each P-NAP independently and make connection upgrades locally as required with each backbone provider. This allows us to more readily scale our capacity as traffic levels increase, without the need to make uniform upgrades throughout our system of P-NAPs.

- Superior Customer Service and Support. Our customers receive the benefit of our proprietary network monitoring and reporting tools and a single point of contact with our highly skilled engineers for support inquiries, network troubleshooting and diagnosis 24 hours a day, seven days a week.

OUR STRATEGY

Our objective is to be the leading provider of high performance Internet connectivity services that enable businesses to run mission-critical Internet-based applications over the public Internet and to establish and maintain the standard of quality for Internet connectivity services. To achieve this objective we intend to:

- Enhance our core technologies to provide the highest performance Internet connectivity services.

- Continue to provide superior customer service and support.

- Expand our geographic coverage in key markets.

- Continue to build our brand awareness.

- Continue to target strategic markets.

- Maintain backbone provider neutrality.

We are a Washington corporation. Our principal executive offices are located at 601 Union Street, Suite 1000, Seattle, Washington 98101, and our telephone number is (206) 441-8800. We maintain a worldwide web site at www.internap.com. The reference to our worldwide web address does not constitute incorporation by reference of the information contained at this site.

THE OFFERING

Common stock offered.....	8,700,000 shares

Common stock to be outstanding after the offering	62,201,228 shares
Use of proceeds	We intend to use the net proceeds from the offering for capital expenditures and general corporate purposes. See "Use of Proceeds."
Proposed Nasdaq National Market Symbol	INAP

The foregoing information is based upon the number of shares of common stock outstanding as of June 30, 1999. This information does not include, as of June 30, 1999:

- 5,035,000 shares reserved for issuance under our 1998 Stock Option/Stock Issuance Plan, of which 4,132,622 shares were subject to outstanding options;
- 6,500,000 shares reserved for issuance under our 1999 Equity Incentive Plan, of which 2,004,000 shares were subject to outstanding options;
- 500,000 shares reserved for issuance under our 1999 Non-Employee Director Stock Option Plan;
- 1,500,000 shares reserved for issuance under our 1999 Employee Stock Purchase Plan; and
- 600,136 shares issuable upon exercise of outstanding warrants. See "Description of Capital Stock" and "Management -- Incentive Stock Plans."

SUMMARY FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PERIOD FROM INCEPTION (MAY 1, 1996) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
STATEMENT OF OPERATIONS DATA:					
Revenues	$ 44	$ 1,045	$ 1,957	$ 731	$ 3,410
Total operating costs and expenses	961	2,455	8,907	2,277	19,862
Loss from operations	(917)	(1,410)	(6,950)	(1,546)	(16,452)
Net loss	(959)	(1,609)	(6,973)	(1,461)	(16,149)
Basic and diluted net loss per share	$ (.29)	$ (.48)	$ (2.09)	$ (.44)	$ (4.78)
Weighted average shares used in computing basic and diluted net loss per share	3,333	3,333	3,336	3,336	3,378
Pro forma basic and diluted net loss per share			$ (.31)		$ (.34)
Weighted average shares used in computing pro forma basic and diluted net loss per share			22,733		47,771

Shares used in computing pro forma basic and diluted net loss per share include the shares used in computing basic and diluted net loss per share adjusted for the conversion of preferred stock into shares of common stock, as if the conversion occurred at the date of original issuance.

The following table presents summary balance sheet data at June 30, 1999.

The pro forma as adjusted column in the balance sheet data below gives effect to the conversion of our preferred stock outstanding as of June 30, 1999 into 49,469,479 shares of common stock and receipt of the net proceeds from the sale of 8,700,000 shares of common stock at an assumed initial public offering price of $14.00 per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	AS OF JUNE 30, 1999	
	ACTUAL	PRO FORMA AS ADJUSTED
BALANCE SHEET DATA:		
Cash, cash equivalents and short-term investments.....	$13,296	$125,470
Total assets.....	30,830	143,004
Capital lease obligations, less current portion.....	6,776	6,776
Total shareholders' equity.....	17,274	129,448

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently think are immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations could be seriously harmed. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

WE HAVE A HISTORY OF LOSSES, EXPECT FUTURE LOSSES AND MAY NOT ACHIEVE OR SUSTAIN ANNUAL PROFITABILITY

We have incurred net losses in each quarterly and annual period since we began operations. We incurred a net loss of $1.6 million for the year ended December 31, 1997 and a net loss of $7.0 million for the year ended December 31, 1998. Our net loss for the six months ended June 30, 1999 was $16.1 million. As of June 30, 1999, our accumulated deficit was $25.7 million. As a result of our expansion plans, we expect to incur net losses and negative cash flows from operations on a quarterly and annual basis for at least 24 months, and we may never become profitable.

OUR LIMITED OPERATING HISTORY MAKES IT DIFFICULT TO EVALUATE OUR PROSPECTS

The revenue and income potential of our business and market is unproven, and our limited operating history makes it difficult to evaluate our prospects. We have only been in existence since 1996, and our services are only offered in limited regions. You should consider and evaluate our prospects in light of the risks and difficulties frequently encountered by relatively new companies, particularly companies in the rapidly evolving Internet infrastructure and connectivity markets.

NEGATIVE MOVEMENTS IN OUR QUARTERLY OPERATING RESULTS MAY DISAPPOINT ANALYSTS' EXPECTATIONS, WHICH COULD HAVE A NEGATIVE IMPACT ON OUR STOCK PRICE

Should our results of operations from quarter to quarter fail to meet the expectations of public market analysts and investors, our stock price could suffer. Any significant unanticipated shortfall of revenues or increase in expenses could negatively impact our expected quarterly results of operations should we be unable to make timely adjustments to compensate for them. Furthermore, a failure on our part to estimate accurately the timing or magnitude of particular anticipated revenues or expenses could also negatively impact our quarterly results of operations.

Because our quarterly results of operations have fluctuated in the past and will continue to fluctuate in the future, you should not rely on the results of any past quarter or quarters as an indication of future performance in our business operations or stock price. Fluctuations in our quarterly operating results depend on a number of factors. Some of these factors are industry risks over which we have no control including the introduction of new services by our competitors, fluctuations in the demand and sales cycle for our services, fluctuations in the market for qualified sales and other personnel, changes in the prices for Internet connectivity we pay backbone providers and our ability to obtain local loop connections to our P-NAPs at favorable prices.

Other factors that may cause fluctuations in our quarterly operating results arise from strategic decisions we have made or will make with respect to the timing and magnitude of capital expenditures such as those associated with the deployment of additional P-NAPS and the terms of our Internet connectivity purchases. For example, our practice is to purchase Internet connectivity from backbone providers at new P-NAPs before customers are secured. We also have agreed to

purchase Internet connectivity from some providers without regard to the amount we resell to our customers.

IF WE ARE UNABLE TO MANAGE COMPLICATIONS THAT ARISE DURING DEPLOYMENT OF NEW P-NAPS, WE MAY NOT SUCCEED IN OUR EXPANSION PLANS

Any delay in the opening of new P-NAPs would significantly harm our plans to expand our business. In our effort to deploy new P-NAPs, we face various risks associated with significant construction projects, including identifying and locating P-NAP sites, construction delays, cost estimation errors or overruns, equipment and material delays or shortages, the inability to obtain necessary permits on a timely basis, if at all, and other factors, many of which are beyond our control and all of which could delay the deployment of a new P-NAP facility. The deployment of new P-NAPs, each of which takes approximately four to six months to complete, is a key element of our business strategy. In addition to our eight existing locations, we are planning to continue to deploy P-NAPs across a wide range of geographic regions. Although we do market research in a geographic area before deploying a P-NAP, we do not enter into service contracts with customers prior to building a new P-NAP.

WE MAY BE UNABLE TO EFFECTIVELY INTEGRATE NEW P-NAPS INTO OUR EXISTING NETWORK, WHICH COULD DISRUPT OUR SERVICE

New P-NAP facilities, if completed, will result in substantial new operating expenses, including expenses associated with hiring, training, retaining and managing new employees, provisioning capacity from backbone providers, purchasing new equipment, implementing new systems, leasing additional real estate and incurring additional depreciation expense. In

addition, if we do not institute adequate financial and managerial controls, reporting systems, and procedures with which to operate multiple facilities in geographically dispersed locations, our operations will be significantly harmed.

BECAUSE OUR REVENUES DEPEND HEAVILY ON A FEW SIGNIFICANT CUSTOMERS, A LOSS OF MORE THAN ONE OF THESE SIGNIFICANT CUSTOMERS COULD ADVERSELY AFFECT OUR REVENUES

We currently derive a substantial portion of our total revenues from a limited number of customers, and the revenues from these customers may not continue. For the six months ended June 30, 1999, revenues from U.S. Electrodynamics, Inc. represented 10.6% of our total revenues. For the year ended December 31, 1998, revenues from Go2Net represented 13.6% of our total revenues. For the year ended December 31, 1997, revenues from Starcom Service Corporation represented 20.8% of our total revenues and Go2Net represented 18.1% of our total revenues. Typically, the agreements with our customers are based on our standard terms and conditions of service and generally have terms ranging from one year to three years. Revenues from these customers or from other customers that have accounted for a significant portion of our revenues in past periods, individually or as a group, may not continue. If such revenues do continue, they may not reach or exceed historical levels in any future period. For example, in 1998 Starcom defaulted on its payments to us, subsequently filed for bankruptcy and is no longer a customer of ours. In addition, we may not succeed in diversifying our customer base in future periods. Accordingly, we may continue to derive a significant portion of our revenues from a relatively small number of customers. Further, we have had limited experience with the renewal of contracts by customers whose initial service contract terms have been completed and these customers may not renew their contracts with us.

IF WE ARE UNABLE TO CONTINUE TO RECEIVE COST-EFFECTIVE SERVICE FROM OUR BACKBONE PROVIDERS, WE MAY NOT BE ABLE TO PROVIDE OUR INTERNET CONNECTIVITY SERVICES ON PROFITABLE TERMS AND WE CANNOT BE CERTAIN THAT THESE BACKBONE PROVIDERS WILL CONTINUE TO PROVIDE SERVICE TO US

In delivering our services, we rely on Internet backbones which are built and operated by others. In order to be able to provide optimal routing to our customers through our P-NAPs, we must purchase connections from several Internet backbone providers. We cannot assure you that these Internet backbone providers will continue to provide service to us on a cost-effective basis, if at all, or that these providers will provide us with additional capacity to adequately meet customer demand. Furthermore, it is very unlikely that we could replace our Internet backbone providers on comparable terms.

Currently, in each of our fully operational P-NAPs, we have connections to at least six of the following 10 backbone providers: Apex Global Information Systems (AGIS), AT&T, Cable & Wireless USA, Inc., GTE Internetworking, Inc., ICG Communications, Intermedia Communications Inc., PSINet, Inc., Sprint Internet Services, UUNET, an MCI WorldCom Company, and Verio, Inc. In addition, we do not begin to operate a P-NAP until it is connected to at least two of the following four backbone providers: UUNET, Sprint, Cable & Wireless USA and GTE Internetworking. We may be unable to maintain relationships with, or obtain necessary additional capacity from, these backbone providers. Furthermore, we may be unable to establish and maintain relationships with other backbone providers that may emerge or that are significant in geographic areas in which we locate our P-NAPs.

COMPETITION FROM MORE ESTABLISHED COMPETITORS WHO HAVE GREATER REVENUES COULD RESULT IN PRICE REDUCTIONS, REDUCED PROFITABILITY AND LOSS OF MARKET SHARE

The Internet connectivity services market is extremely competitive, and there are few substantial barriers to entry. We expect that competition will intensify in the future, and we may not have the financial resources, technical expertise, sales and marketing abilities or support capabilities to compete successfully in our market. Many of our existing competitors have greater market presence, engineering and marketing capabilities, and financial, technological and personnel resources than we do. As a result, as compared to us, our competitors may:

- develop and expand their network infrastructures and service offerings more efficiently or more quickly;
- adapt more rapidly to new or emerging technologies and changes in customer requirements;
- take advantage of acquisitions and other opportunities more effectively;
- develop Internet services and products that are superior to or have greater market acceptance;
- adopt more aggressive pricing policies and devote greater resources to the promotion, marketing, sale, research and development of their products and services;
- make more attractive offers to our existing and potential employees and strategic partners or establish cooperative relationships with each other or with third parties; and
- more effectively take advantage of existing relationships with customers or exploit a more widely recognized brand name to market and sell their services.

Our competitors include:

- backbone providers that provide us connectivity services, including AGIS, AT&T, Cable & Wireless USA, GTE Internetworking, ICG Communications, Intermedia, PSINet, Sprint, UUNET and Verio;

- regional Bell operating companies which offer Internet access; and
- global, national and regional Internet service providers.

In addition, if we are successful in implementing our international expansion, we will encounter additional competition from international Internet service providers as well as international telecommunications companies.

We also believe that new competitors will enter our market. Such new competitors could include computer hardware, software, media and other technology and telecommunications companies. A number of telecommunications companies and online service providers currently offer, or have announced plans to offer or expand, their network services. Other companies, including GTE Internetworking, PSINet and Verio, have expanded their Internet access products and services through acquisition. Further, the ability of some of these potential competitors to bundle other services and products with their network services could place us at a competitive disadvantage. Various companies are also exploring the possibility of providing, or are currently providing, high-speed data services using alternative delivery methods including the cable television infrastructure, direct broadcast satellites, wireless cable and wireless local loop. In addition, Internet backbone providers may make technological developments, such as improved router technology, that will enhance the quality of their services.

WE MAY ENCOUNTER PRICING PRESSURE THAT COULD DECREASE OUR MARKET SHARE OR REVENUES

Increased price competition or other competitive pressures could erode our market share. We currently charge, and expect to continue to charge, more for our Internet connectivity services than our competitors. For example, our current standard pricing is approximately 4% more than UUNET's current standard pricing and approximately 18% more than Sprint's current standard pricing. By bundling their services and reducing the overall cost of their solutions, telecommunications companies that compete with us may be able to provide customers with reduced communications costs in connection with their Internet connectivity services or private network services, thereby significantly increasing the pressure on us to decrease our prices. We may not be able to offset the effects of any such price reductions even with an increase in the number of our customers, higher revenues from enhanced services, cost reductions or otherwise. In addition, we believe that the Internet connectivity industry is likely to encounter consolidation in the future. Consolidation could result in increased pressure on us to decrease our prices.

A FAILURE IN OUR NETWORK OPERATIONS CENTER, P-NAPS OR COMPUTER SYSTEMS WOULD CAUSE A SIGNIFICANT DISRUPTION IN THE PROVISION OF OUR INTERNET CONNECTIVITY SERVICES

Although we have taken precautions against systems failure, interruptions could result from natural disasters as well as power loss, telecommunications failure and similar events. Our business depends on the efficient and uninterrupted operation of our network operations center, our P-NAPs and our computer and communications hardware systems and infrastructure. We currently have one network operations center located in Seattle, and we have eight P-NAPs which are located in the Atlanta, Boston, Chicago, Los Angeles, New York, San Jose, Seattle and Washington, D.C. metropolitan areas. If we experience a problem at our network operations center, we may be unable to provide Internet connectivity services to our customers, provide customer service and support or monitor our network infrastructure and P-NAPs, any of which would seriously harm our business.

OUR BRAND IS NOT WELL-KNOWN AND FAILURE TO DEVELOP BRAND RECOGNITION COULD HURT OUR ABILITY TO COMPETE EFFECTIVELY

To successfully execute our strategy, we must strengthen our brand awareness. If we do not build our brand awareness, our ability to realize our strategic and financial objectives could be hurt. Many

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of our competitors have well-established brands associated with the provision of Internet connectivity services. To date, our market presence has been limited principally to the Atlanta, Boston, Chicago, Los Angeles, New York, San Jose, Seattle and Washington D.C. metropolitan areas. To date, we have attracted our existing customers primarily through a relatively small sales force and word of mouth. In order to build our brand awareness, we intend to significantly increase our marketing efforts, which may not be successful, and we must continue to provide high quality services. As part of our brand building efforts, we expect to increase our marketing budget substantially as well as our marketing activities, including advertising, tradeshows, direct response programs and new P-NAP launch events. We may not succeed as planned.

WE DEPEND UPON KEY PERSONNEL AND MAY BE UNABLE TO HIRE AND RETAIN SUFFICIENT NUMBERS OF QUALIFIED PERSONNEL, WHICH WOULD MAKE DIFFICULT THE IMPLEMENTATION OF OUR BUSINESS STRATEGY

Our future performance depends to a significant degree upon the continued contributions of our executive management team and key technical personnel. The loss of any member of our executive management team or a key technical employee, such as our Chief Executive Officer, Anthony Naughtin, our Chief Technology Officer, Christopher Wheeler, or our Chief Financial Officer, Paul McBride, could significantly harm us. Any of our officers or employees can terminate his or her relationship with us at any time. To the extent that we are able to expand our operations and deploy additional P-NAPs, our workforce will be required to grow. Accordingly, our future success depends on our ability to attract, hire, train and retain a substantial number of highly skilled management, technical, sales, marketing and customer support personnel. Competition for qualified employees is intense. Consequently, we may not be successful in attracting, hiring, training and retaining the people we need, which would seriously impede our ability to implement our business strategy.

IF WE ARE NOT ABLE TO SUPPORT OUR RAPID GROWTH EFFECTIVELY, OUR EXPANSION PLANS MAY BE FRUSTRATED OR MAY FAIL

Our inability to manage growth effectively would seriously harm our plans to expand our Internet connectivity services into new markets. Since the introduction of our Internet connectivity services, we have experienced a period of rapid growth and expansion which has placed, and continues to place, a significant strain on all of our resources. For example, as of December 31, 1996 we had one operational P-NAP and nine employees compared to seven operational P-NAPs and 221 full-time employees as of June 30, 1999. In addition, we had $44,000 in revenues for the period from May 1, 1996 to December 31, 1996 compared to $3.4 million in revenues for the six months ended June 30, 1999. We expect our growth to continue to strain our management, operational and financial resources. For example, we may not be able to install adequate financial control systems in an efficient and timely manner, and our current or planned information systems, procedures and controls may be inadequate to support our future operations. The difficulties associated with installing and implementing new systems, procedures and controls may place a significant burden on our management and our internal resources. Our plans to rapidly deploy additional P-NAPs could place a significant strain on our management's time and resources.

WE FACE RISKS ASSOCIATED WITH INTERNATIONAL EXPANSION

Although we currently operate in eight domestic metropolitan markets, a key component of our strategy is to expand into international markets. We have no experience operating internationally. We may not be able to adapt our services to international markets or market and sell these services to customers abroad. In addition to general risks associated with international business expansion, we face the following specific risks in our international business expansion plans:

- difficulties in establishing and maintaining relationships with foreign backbone providers and local vendors, including co-location and local loop providers; and

- difficulties in locating, building and deploying P-NAPs in foreign countries and managing P-NAPs and network operations centers across disparate geographic areas.

We may be unsuccessful in our efforts to address the risks associated with our currently proposed international operations and our international sales growth may therefore be limited.

OUR FAILURE TO ADEQUATELY PROTECT OUR INTELLECTUAL PROPERTY MAY ADVERSELY AFFECT OUR ABILITY TO COMPETE

We believe that patents and other intellectual property rights are important to our business and our future success. We file patent applications to protect our technology, inventions and improvements to inventions that we consider important to our business. The United States Patent and Trademark Office, USPTO, has recently notified us that it has allowed the claims in our initial patent application. Additional claims that were included by amendment in that application are still pending. We cannot assure you that the USPTO will allow any additional claims under our patent application, or, if allowed, that any patent issued may not provide significant proprietary protection or commercial advantage to us. It is possible that:

- any patents that may be issued to us could still be successfully challenged by third parties, which could result in our loss of the right to prevent others from exploiting the inventions claimed in those patents;

- current and future competitors may independently develop similar technologies, duplicate our services and products or design around any patents that may be issued to us; and

- effective patent protection may not be available in every country in which we intend to do business.

In addition to patent protection, we believe the protection of our copyrightable materials, trademarks and trade secrets is important to our future success. We rely on a combination of laws, such as copyright, trademark and trade secret laws and contractual restrictions, such as confidentiality agreements and licenses, to establish and protect our proprietary rights. In particular, we generally enter into confidentiality agreements with our employees and nondisclosure agreements with our customers and corporations with whom we have strategic relationships. In addition, we generally register our important trademarks with the USPTO to preserve their value and establish proof of our ownership and use of these trademarks. Any trademarks that may be issued to us may not provide significant proprietary protection or commercial advantage to us. Despite any precautions that we have taken, intellectual property laws and contractual restrictions may not be sufficient to prevent misappropriation of our technology or deter others from developing similar technology.

WE MAY FACE LITIGATION AND LIABILITY DUE TO CLAIMS OF INFRINGEMENT OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS

The telecommunications industry is characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement. From time to time, third parties may assert patent, copyright, trademark and other intellectual property rights to technologies that are important to our business. Any claims that our services infringe or may infringe proprietary rights of third parties, with or without merit, could be time-consuming, result in costly litigation, divert the efforts of our technical and management personnel or require us to enter into royalty or licensing agreements, any of which could significantly harm our operating results. In addition, in our customer agreements, we agree to indemnify our customers for any expenses or liabilities resulting from claimed infringement of patents, trademarks or copyrights of third parties. If a claim against us were to be successful and we were not able to obtain a license to the relevant or a substitute technology on

acceptable terms or redesign our products to avoid infringement, our ability to compete successfully in our competitive market would be impaired.

WE ARE DEPENDENT ON THIRD PARTY SUPPLIERS FOR KEY COMPONENTS OF OUR NETWORK INFRASTRUCTURE

Any failure to obtain required products or services from third party suppliers on a timely basis and at an acceptable cost would affect our ability to provide our Internet connectivity services on a competitive and timely basis. We are dependent on other companies to supply various key components of our infrastructure, including the local loops between our P-NAPs and our Internet backbone providers and between our P-NAPs and our customers' networks. In addition, the routers and switches used in our network infrastructure are currently supplied by a limited number of vendors, including Cisco Systems, Inc. Additional sources of these products may not be available in the future on satisfactory terms, if at all. We purchase these products pursuant to purchase orders placed from time to time. We do not carry significant inventories of these products, and we have no guaranteed supply arrangements with our vendors. We have in the past experienced delays in receiving shipments of equipment purchased. To date, these delays have neither been material nor have adversely affected us, but these delays could affect our ability to deploy P-NAPs in the future on a timely basis. If Cisco Systems does not provide us with its routers, or if our limited source suppliers fail to provide products or services that comply with evolving Internet and telecommunications standards or that interoperate with other products or services we use in our network infrastructure, we may be unable to meet our customer service commitments.

WE MAY REQUIRE ADDITIONAL CAPITAL IN THE FUTURE AND MAY NOT BE ABLE TO SECURE ADEQUATE FUNDS ON TERMS ACCEPTABLE TO US

The expansion and development of our business will require significant capital, which we may be unable to obtain, to fund our capital expenditures and operations, including working capital needs. Our principal capital expenditures and lease payments include the purchase, lease and installation of network equipment such as routers, telecommunications equipment and other computer equipment. The timing and amount of our future capital requirements may vary significantly depending on numerous factors, including regulatory, technological, competitive and other developments in our industry. During the next twelve months, we expect to meet our cash requirements with existing cash, cash equivalents and short-term investments, the net proceeds from this offering and cash flow from sales of our services. However, our capital requirements depend on several factors, including the rate of market acceptance of our services, the ability to expand our customer base, the rate of deployment of additional P-NAPs and other factors. If our capital requirements vary materially from those currently planned, or if we fail to generate sufficient cash flow from the sales of our services, we may require additional financing sooner than anticipated or we may have to delay or abandon some or all of our development and expansion plans or otherwise forego market opportunities.

We may not be able to obtain future equity or debt financing on favorable terms, if at all. In addition, our credit agreement contains covenants restricting our ability to incur further indebtedness. Future borrowing instruments such as credit facilities and lease agreements are likely to contain similar or more restrictive covenants and will likely require us to pledge assets as security for borrowings thereunder. Our inability to obtain additional capital on satisfactory terms may delay or prevent the expansion of our business.

OUR BUSINESS IS DEPENDENT ON THE CONTINUED GROWTH IN USE AND IMPROVEMENT OF THE INTERNET, AND IF THIS GROWTH DOES NOT OCCUR, OUR BUSINESS WILL SUFFER

Critical issues concerning the commercial use of the Internet remain unresolved and may hinder the growth of Internet use, especially in the business market we target. Despite growing interest in the varied commercial uses of the Internet, many businesses have been deterred from purchasing Internet connectivity services for a number of reasons, including inconsistent or unreliable quality of service, lack of availability of cost-effective, high-speed options, a limited number of local access points for corporate users, inability to integrate business applications on the Internet, the need to deal with multiple and frequently incompatible vendors and a lack of tools to simplify Internet access and use. Capacity constraints caused by growth in the use of the Internet may, if left unresolved, impede further development of the Internet to the extent that users experience delays, transmission errors and other difficulties. Further, the adoption of the Internet for commerce and communications, particularly by those individuals and enterprises that have historically relied upon alternative means of commerce and communication, generally requires an understanding and acceptance of a new way of conducting business and exchanging information. In particular, enterprises that have already invested substantial resources in other means of conducting commerce and exchanging information may be particularly reluctant or slow to adopt a new strategy that may make their existing personnel and infrastructure obsolete. The failure of the market for business related Internet solutions to further develop could cause our revenues to grow more slowly than anticipated and reduce the demand for our services.

OUR SUCCESS DEPENDS ON THE ACCEPTANCE OF OUR SERVICES IN AN EMERGING AND UNCERTAIN INTERNET CONNECTIVITY MARKET

We face the risk that the market for high performance Internet connectivity services might fail to develop, or develop more slowly than expected, or that our services may not achieve widespread market acceptance. This market has only recently begun to develop, is evolving rapidly and likely will be characterized by an increasing number of entrants. There is significant uncertainty as to whether this market ultimately will prove to be viable or, if it becomes viable, that it will grow. Furthermore, we may be unable to market and sell our services successfully and cost-effectively to a sufficiently large number of customers. We typically charge more for our services than do our competitors, which may affect market acceptance of our services. Finally, if the Internet becomes subject to a form of central management, or if the Internet backbone providers establish an economic settlement arrangement regarding the exchange of traffic between backbones, the problems of congestion, latency and data loss addressed by our Internet connectivity services could be largely resolved and our core business rendered obsolete.

WE MAY BE UNABLE TO RESPOND EFFECTIVELY AND ON A TIMELY BASIS TO RAPID TECHNOLOGICAL CHANGE, CAUSING OUR BUSINESS TO SUFFER

The Internet connectivity industry is characterized by rapidly changing technology, industry standards, customer needs and competition, as well as by frequent new product and service introductions. We may be unable to successfully use or develop new technologies, adapt our network infrastructure to changing customer requirements and industry standards, introduce new services or enhance our existing services on a timely basis. Furthermore, new technologies or enhancements that we use or develop may not gain market acceptance. Our pursuit of necessary technological advances may require substantial time and expense, and we may be unable to successfully adapt our network and services to alternate access devices and technologies.

If our services do not continue to be compatible and interoperable with products and architectures offered by other industry members, our ability to compete could be impaired. Our ability to compete successfully is dependent, in part, upon the continued compatibility and interoperability of our services with products and architectures offered by various other industry participants. Although we intend to support emerging standards in the market for Internet connectivity, we cannot assure you that we will be able to conform to new standards in a timely fashion, if at all, or maintain a competitive position in the market.

NEW TECHNOLOGIES COULD DISPLACE OUR SERVICES OR RENDER THEM OBSOLETE

New technologies and industry standards have the potential to replace or provide lower cost alternatives to our services. The adoption of such new technologies or industry standards could render our existing services obsolete and unmarketable. For example, our services rely on the continued widespread commercial use of the set of protocols, services and applications for linking computers known as Transmission Control Protocol/Internetwork Protocol, or TCP/IP. Alternative sets of protocols, services and applications for linking computers could emerge and become widely adopted. A resulting reduction in the use of TCP/IP could render our services obsolete and unmarketable. Our failure to anticipate the prevailing standard or the failure of a common standard to emerge could hurt our business. Further, we anticipate the introduction of other new technologies, such as telephone and facsimile capabilities, private networks, multimedia document distribution and transmission of audio and video feeds, requiring broadband access to the Internet, but we cannot assure you that such technologies will create opportunities for us.

SERVICE INTERRUPTIONS CAUSED BY SYSTEM FAILURES AND CAPACITY CONSTRAINTS COULD HARM CUSTOMER RELATIONS, EXPOSE US TO LIABILITY AND INCREASE OUR CAPITAL COSTS

Interruptions in service to our customers could hurt our business. Our operations depend upon our ability to protect our customers' data and equipment, our equipment and our network infrastructure, including our connections to our backbone providers, against damage from human error or "acts of God." Even if we take precautions, the occurrence of a natural disaster or other unanticipated problem could result in interruptions in the services we provide to our customers.

Although we have built redundancy into our network and hosting facilities, we do not have a formal disaster recovery plan and our network is currently subject to various single points of failure. For example, a problem with one or more of our backbone providers could cause an interruption in the services we provide to some of our customers.

Furthermore, failure of the backbone providers and other Internet infrastructure companies to continue to grow in an orderly manner could result in service interruptions. Although the national telecommunications networks and Internet infrastructures have historically developed in an orderly manner, there is no guarantee that this orderly growth will continue as more services, users and equipment connect to the networks. Failure by our telecommunications and Internet service providers to provide us with the data communications capacity we require could cause service interruptions.

Any interruptions in service could:

- cause end users to seek damages from us for losses incurred;

- require us to spend more money replacing existing equipment, expanding facilities or adding redundant facilities;

- cause us to spend money on existing or new equipment and infrastructure earlier than we plan;

- damage our reputation for reliable service;

- cause existing customers to cancel our service; or

- make it more difficult for us to attract new customers and partners.

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OUR NETWORK AND SOFTWARE ARE VULNERABLE TO SECURITY BREACHES AND SIMILAR THREATS WHICH COULD RESULT IN OUR LIABILITY FOR DAMAGES AND HARM OUR REPUTATION

Despite the implementation of network security measures, the core of our network infrastructure is vulnerable to computer viruses, break-ins, network attacks and similar disruptive problems. This could result in our liability for damages, and our reputation could suffer, thereby deterring potential customers from working with us. Security problems caused by third parties could lead to interruptions and delays or to the cessation of service to our customers. Furthermore, inappropriate use of the network by third parties could also jeopardize the security of confidential information stored in our computer systems and in those of our customers.

Although we intend to continue to implement industry-standard security measures, in the past some of these industry-standard measures have occasionally been circumvented by third parties, although not in our system. Therefore, we cannot assure you that the measures we implement will not be circumvented. The costs and resources required to eliminate computer viruses and alleviate other security problems may result in interruptions, delays or cessation of service to our customers, which could hurt our business.

CHANGES IN GOVERNMENT REGULATION ARE UNPREDICTABLE AND COULD HARM OUR BUSINESS

There is currently only a small body of laws and regulations directly applicable to access to or commerce on the Internet. However, due to the increasing popularity and use of the Internet, international, federal, state and local governments may adopt laws and regulations which affect the Internet. The nature of any new laws and regulations and the manner in which existing and new laws and regulations may be interpreted and enforced cannot be fully determined. The adoption of any future laws or regulations might decrease the growth of the Internet, decrease demand for our services, impose taxes or other costly technical requirements or otherwise increase the cost of doing business on the Internet or in some other manner have a significantly harmful effect on us or our customers. The government may also seek to regulate some segments of our activities as it has with basic telecommunications services. Moreover, the applicability to the Internet of existing laws governing intellectual property ownership and infringement, copyright, trademark, trade secret, obscenity, libel, employment, personal privacy and other issues is uncertain and developing. We cannot predict the impact, if any, that future regulation or regulatory changes may have on our business.

RISKS RELATED TO OUR OFFERING

OUR STOCK HAS NO PRIOR TRADING MARKET; YOU MAY NOT BE ABLE TO RESELL YOUR STOCK AT OR ABOVE THE INITIAL PUBLIC OFFERING PRICE

Before this offering, there has not been a public trading market for our common stock, and an active trading market for our common stock may not develop or be sustained after this offering. Further, the market price of our common stock may decline below our initial public offering price. The initial public offering price will be determined by negotiations between the representatives of the underwriters and us. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price.

INTERNET RELATED STOCK PRICES ARE ESPECIALLY VOLATILE AND THIS VOLATILITY MAY DEPRESS OUR STOCK PRICE

The stock market and specifically the stock prices of Internet related companies have been very volatile. This volatility is often not related to the operating performance of the companies. This broad market volatility and industry volatility may reduce the price of our common stock, without regard to

our operating performance. Due to this volatility, the market price of our common stock could significantly decrease.

SIGNIFICANT SHAREHOLDERS AND CURRENT MANAGEMENT WILL CONTROL APPROXIMATELY 60% OF OUR COMMON STOCK AFTER THIS OFFERING, AND THEIR CONTROL MAY LIMIT YOUR ABILITY TO INFLUENCE THE OUTCOME OF MATTERS REQUIRING SHAREHOLDER APPROVAL

Immediately following this offering, Morgan Stanley Venture Partners III, L.P. and certain affiliated funds, collectively, Morgan Stanley Dean Witter Venture Partners, H&Q InterNAP Investors, L.P., Oak Investment Partners VIII, L.P., Vulcan Ventures Incorporated and Robert J. Lunday, Jr. will beneficially own approximately 14.9%, 11.3%, 9.6%, 7.9% and 9.3%, respectively, of our outstanding common stock. See "Principal Shareholders" and "Underwriters". In addition, our executive officers and directors may be deemed to beneficially own in the aggregate approximately 59.8% of our outstanding common stock, including shares of our common stock that may be deemed to be owned by some of our officers and directors as a result of their relationships with these entities. Accordingly, Morgan Stanley Dean Witter Venture Partners, H&Q InterNAP Investors, L.P., Oak Investment Partners VIII, L.P., Vulcan Ventures Incorporated and Robert J. Lunday, Jr. and our executive officers and directors, whether acting alone or together, will be able to exert considerable influence over any shareholder vote, including any vote on the election or removal of directors and any merger, consolidation or sale of all or substantially all of our assets, and control our management and affairs. This control could limit your ability to influence the outcome of matters requiring shareholder approval. Each of Morgan Stanley Dean Witter Venture Partners, H&Q InterNAP Investors, L.P., Oak Investment Partners VIII, L.P. and Vulcan Ventures Incorporated has one representative on our board of directors. In addition, Robert J. Lunday, Jr. is one of our directors.

FUTURE SALES OF OUR COMMON STOCK BY OUR EXISTING SHAREHOLDERS COULD CAUSE OUR STOCK PRICE TO FALL

If our shareholders sell substantial amounts of our common stock, including shares issued upon the exercise of outstanding options and warrants, the market price of our common stock may fall. Such sales might also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. After completion of this offering, we will have 62,319,663 shares of common stock outstanding, assuming no exercise of outstanding options or warrants after August 31, 1999. The officers, directors and certain of our shareholders have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this prospectus. Morgan Stanley & Co. Incorporated, however, may in its own discretion, at any time and in most cases without notice, release all or any portion of the shares subject to lock-up agreements. For further information regarding sales of stock subsequent to this offering, see "Shares Eligible for Future Sale" and "Underwriting."

OUR MANAGEMENT HAS BROAD DISCRETION IN THE APPLICATION OF PROCEEDS, WHICH MAY INCREASE THE RISK THAT THE PROCEEDS WILL NOT BE APPLIED EFFECTIVELY

The net proceeds of this offering are not allocated for specific purposes. Our management will have broad discretion in determining how to spend the proceeds of this offering and may spend proceeds in a manner that our shareholders may not deem desirable.

YOU WILL EXPERIENCE IMMEDIATE AND SIGNIFICANT DILUTION OF BOOK VALUE PER SHARE

The initial public offering price of our common stock will be substantially higher than the net tangible book value per share of the outstanding common stock immediately after this offering. Therefore, based upon an assumed initial public offering price of $14.00 per share, if you purchase our common stock in this offering, you will incur immediate dilution of approximately $11.92 per share. If additional shares are sold by the underwriters following exercise of their over-allotment

option, or if outstanding options or warrants to purchase shares of common stock are exercised, there will be further dilution.

WE HAVE IMPLEMENTED ANTI-TAKEOVER PROVISIONS THAT MAY DISCOURAGE TAKE-OVER ATTEMPTS AND DEPRESS THE MARKET PRICE OF OUR STOCK

Provisions of our amended and restated articles of incorporation and by-laws, as well as provisions of Washington law, may make it more difficult for a third party to acquire us, even if doing so would be beneficial to our shareholders. See "Descriptions of Capital Stock" for a discussion of such anti-takeover provisions.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "except," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined under "Risk Factors." These factors may cause our actual results to differ materially from any forward-looking statement.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform such statements to actual results or to changes in our expectations.

USE OF PROCEEDS

The net proceeds to be received by us from the sale of 8,700,000 shares of common stock in this offering are estimated to be $112.2 million ($129.2 million if the underwriters exercise their over-allotment option in full), at an assumed initial public offering price of $14.00 per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We expect to use the net proceeds primarily for capital expenditures associated with the expansion of our network and for general corporate purposes. The amounts we actually expend for this expansion and other purposes may vary significantly and will depend on a number of factors, including the amount of our future revenues and other factors described under "Risk Factors." Accordingly, our management will retain broad discretion in the allocation of the net proceeds of this offering. A portion of the net proceeds may also be used to acquire or invest in complementary businesses, technologies, product lines or products. We have no current plans, agreements or commitments with respect to any acquisitions, and we are not currently engaged in any negotiations with respect to any such transaction. Pending these uses, the net proceeds of this offering will be invested in short term, interest-bearing, investment grade securities.

DIVIDEND POLICY

We have never declared nor paid any cash dividends on our capital stock. We currently intend to retain any future earnings to finance the growth and development of our business and therefore do not anticipate paying any cash dividends in the foreseeable future. In addition, our loan and security agreement with a commercial bank prohibits the payment of dividends.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 1999:

- on an actual basis,
- on a pro forma basis to reflect the conversion upon the closing of this offering of all outstanding shares of preferred stock into 49,469,479 shares of common stock; and
- on a pro forma as adjusted basis to reflect the sale of 8,700,000 shares of the common stock offered in this offering at an assumed initial public offering price of $14.00 per share, and the receipt of the net proceeds therefrom, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

This information should be read in conjunction with our unaudited financial statements and our unaudited pro forma financial information included elsewhere in this prospectus.

	AS OF JUNE 30, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS, EXCEPT SHARE DATA)		
Capital lease obligations, less current portion.....	$ 6,776	$ 6,776	$ 6,776
Shareholders' equity:			
Convertible preferred stock: $.001 par value per share, 50,069,615 shares authorized, 49,469,479 issued and outstanding, actual; 10,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted.....	50	--	--
Common stock: $.001 par value per share, 300,000,000 shares authorized, 4,031,749 issued and outstanding, actual; 300,000,000 shares authorized, 53,501,228 shares issued and outstanding, pro forma; and 500,000,000 shares authorized, 62,201,228 shares issued and			

outstanding, pro forma as adjusted.....	4	54	62
Additional paid-in capital.....	57,023	57,023	169,189
Deferred stock compensation.....	(14,113)	(14,113)	(14,113)
Accumulated deficit.....	(25,690)	(25,690)	(25,690)
Total shareholders' equity.....	17,274	17,274	129,448
Total capitalization.....	$ 24,050	$ 24,050	$136,224

This capitalization table excludes the following shares as of June 30, 1999:

- 6,136,622 shares subject to options with a weighted average exercise price of $1.58 per share;

- 6,703,296 shares that could be issued under our stock plans; and

- 600,136 shares issuable upon exercise of outstanding warrants at a weighted average exercise price of $.60 per share. See "Description of Capital Stock" and "Management -- Incentive Stock Plans."

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DILUTION

Our pro forma net tangible book value as of June 30, 1999 was approximately $17.2 million, or approximately $.32 per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of outstanding shares of common stock, assuming conversion of all outstanding shares of preferred stock into common stock. After giving effect to our sale of the 8,700,000 shares of common stock in this offering at an assumed initial public offering price of $14.00 per share, and our receipt of the estimated net proceeds therefrom, our pro forma as adjusted net tangible book value as of June 30, 1999 would have been approximately $129.3 million, or $2.08 per share. This represents an immediate increase in net tangible book value of $1.76 per share to existing shareholders and an immediate dilution of $11.92 per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....		$14.00
Pro forma net tangible book value per share as of June 30, 1999.....	$ .32	
Increase per share attributable to new investors.....	1.76	
Pro forma as adjusted net tangible book value per share after this offering.....		2.08
Dilution per share to new investors.....		$11.92

The following table summarizes, on a pro forma basis as of June 30, 1999, the differences between existing shareholders and the purchasers of shares in this offering (at an assumed initial public offering price of $14.00 per share) with respect to the number of shares of common stock purchased, the total consideration paid and the average price per share paid, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing shareholders.....	53,501,228	86%	$ 40,948,275	25%	$ .77
New investors.....	8,700,000	14	121,800,000	75	14.00
Total.....	62,201,228	100%	$162,748,275	100%	

The foregoing discussion and tables assume no exercise of any stock options or warrants outstanding as of June 30, 1999. As of June 30, 1999, there were options outstanding to purchase a total of 6,136,622 shares with a weighted average exercise price of $1.58 per share and warrants outstanding to purchase a total of 600,136 shares with a weighted average exercise price of $.60 per share. To the extent that any of these options or warrants are exercised, there will be further dilution to new investors.

SELECTED FINANCIAL DATA

The following selected financial data are qualified by reference to, and should be read in conjunction with, our financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The statement of operations data presented below for the period from inception (May 1, 1996) to December 31, 1996 and for the years ended December 31, 1997 and 1998 and the selected balance sheet data at December 31, 1997 and 1998 are derived from our financial statements that have been audited by PricewaterhouseCoopers LLP, independent accountants, included elsewhere in this prospectus. The selected balance sheet data at December 31, 1996 are derived from our financial statements that have also been audited by PricewaterhouseCoopers LLP and that are not included in this prospectus. The selected statement of operations data for the six months ended June 30, 1998 and 1999 and the balance sheet data at June 30, 1999 are derived from our unaudited financial statements included elsewhere in this prospectus. The unaudited financial statements include, in the opinion of our management, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and results of operations for these periods. The financial data for the six months ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999 or any other future period.

	PERIOD FROM INCEPTION (MAY 1, 1996) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Revenues.....	$ 44	$ 1,045	$ 1,957	$ 731	$ 3,410
Costs and expenses:					
Cost of network and customer support.....	321	1,092	3,216	994	7,906
Product development.....	184	389	754	318	1,395
Sales and marketing.....	78	261	2,822	352	5,869
General and administrative.....	378	713	1,910	594	2,905
Amortization of deferred stock compensation...	--	--	205	19	1,787
Total operating costs and expenses.....	961	2,455	8,907	2,277	19,862
Loss from operations.....	(917)	(1,410)	(6,950)	(1,546)	(16,452)
Other income (expense):					
Interest income.....	6	36	169	121	450
Interest and financing expense.....	(48)	(235)	(90)	(36)	(147)
Loss on disposal of assets.....	--	--	(102)	--	--
Net loss.....	$(959)	$(1,609)	$(6,973)	$(1,461)	$(16,149)
Basic and diluted net loss per share(1).....	$(.29)	$ (.48)	$ (2.09)	$ (.44)	$ (4.78)

Weighted average shares used to compute basic and diluted net loss per share(1)	3,333	3,333	3,336	3,336	3,378
Pro forma basic and diluted net loss per share(2)			$ (.31)		$ (.34)
Weighted average shares used in computing pro forma basic and diluted net loss per share(2)			22,733		47,771

	AS OF DECEMBER 31,			AS OF JUNE 30,
	1996	1997	1998	1999
	(IN THOUSANDS)			
BALANCE SHEET DATA:				
Cash, cash equivalents and short-term investments	$ 145	$4,770	$ 275	$13,296
Total assets	1,099	5,987	7,487	30,830
Capital lease obligations, less current portion	421	240	2,342	6,776
Total shareholders' equity (deficit)	43	4,829	(436)	17,274

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(1) See note 1 of notes to financial statements for a description of the computation of basic and diluted net loss per share and the number of shares used to compute basic and diluted net loss per share.

(2) Pro forma per share calculations reflect the conversion of preferred stock into shares of common stock as if the conversion occurred as of the date of original issuance.

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

You should read the following discussion and analysis together with our financial statements, including the notes, appearing elsewhere in this prospectus. Some information contained in the discussion and analysis set forth below and elsewhere in this prospectus, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risk and uncertainties. See "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in this prospectus.

OVERVIEW

We are a leading provider of fast, reliable and centrally managed Internet connectivity services targeted at businesses seeking to maximize the performance of mission-critical Internet-based applications. Customers connected to one of our P-NAPs have their data optimally routed to and from destinations on the Internet in a manner that minimizes the use of congested public network access points and private peering points. This optimal routing of data traffic over the multiplicity of networks that comprise the Internet enables higher transmission speeds, lower instances of packet loss and greater quality of service. As of June 30, 1999, we provided our high quality Internet connectivity services to approximately 120 customers, including Amazon.com, Fidelity Investments, Go2Net, ITXC, Nasdaq, TheStreet.com and WebTV Networks.

We were founded in May 1996 and began selling Internet connectivity services from our first P-NAP, located in Seattle, during October 1996. We began selling services from our second and third P-NAPs in New York City and San Jose by December 1998. During the first six months of 1999, we began selling services from our P-NAPs located in the Washington D.C., Los Angeles, Chicago and Boston metropolitan areas. We began selling services from our eighth P-NAP in Atlanta

in August 1999. In addition, we expect to complete the deployment of four additional P-NAPs in the United States by the end of 1999, bringing the total number of revenue-generating P-NAPs to 12 by the end of 1999.

After we decide to open a new P-NAP, we enter into a deployment phase which typically lasts four to six months, during which time we undertake to complete the necessary arrangements required to make the P-NAP commercially ready for service. Among other things, this usually entails obtaining co-location space to locate our equipment, entering into agreements with backbone providers, obtaining local loop connections from local telecommunications providers, building P-NAPs and initiating pre-sales and marketing activities. Consequently, we usually incur a significant amount of upfront costs related to making a P-NAP commercially ready for service prior to generating revenues. Therefore, our results of operations will be negatively affected during times of P-NAP deployment.

Our customers are primarily businesses that desire high performance Internet connectivity services in order to run mission-critical Internet-based applications. Due to our high quality of service we generally price our services at a premium to providers of conventional Internet connectivity services. We expect to remain a premium provider of high quality Internet connectivity services and anticipate continuing our pricing policy in the future. We believe customers will continue to demand the highest quality of service as their Internet connectivity needs grow and become even more complex and, as such, will continue to pay a premium for high quality of service.

Our revenues are generated primarily from the sale of Internet connectivity services and, to a lesser extent, other ancillary services primarily provided from our Seattle data center, such as co-

location, web hosting and server management services, and installation services at fixed rate or usage based pricing to our customers that desire a DS-3 or faster connection. We offer T-1 connections only at a fixed rate. We recognize our revenues when we have provided the related services.

Network and customer support costs are primarily comprised of the costs for connecting to and accessing Internet backbone providers, as well as the costs related to deploying, operating, installing and maintaining P-NAPs and our network operations center. To the extent a P-NAP is located a distance from the respective Internet backbone providers, we may incur additional local loop charges on a recurring basis. Additionally, rental fees and depreciation costs related to our P-NAPs are included in cost of network and customer support.

Product development costs consist principally of compensation and other personnel costs, consultant fees and prototype costs related to the design, development and testing of our proprietary technology, enhancement of our network management software and development of our internal systems. Significantly all of our product development costs are expensed as incurred.

Sales and marketing costs consist of compensation, commissions and other costs for personnel engaged in marketing, sales and field service support functions, as well as advertising, tradeshows, direct response programs, new P-NAP launch events, management of our web site and other promotional costs.

General and administrative costs consist primarily of compensation and other expenses for executive, finance, human resources and administrative personnel, professional fees and other general corporate costs.

During the year ended December 31, 1998 and the six months ended June 30, 1999, in connection with the grant of certain stock options to employees, we recorded deferred stock compensation totaling $16.1 million, representing the difference between the deemed fair value of our common stock on the date such options were granted and the exercise price. Such amount is included as a reduction of shareholders' equity and is being amortized over the vesting period of the individual options, generally four years, using an accelerated method as described in Financial Accounting Standards Board Interpretation No. 28. We recorded amortization of deferred stock compensation in the amount of $205,000 for the year ended December 31, 1998 and $1.8 million for the six months ended

June 30, 1999. At June 30, 1999, we had a total of $14.1 million remaining to be amortized over the corresponding vesting periods of the stock options.

The revenue and income potential of our business and market is unproven, and our limited operating history makes it difficult to evaluate our prospects. We have only been in existence since 1996, and our services are only offered in limited regions. We have incurred net losses in each quarterly and annual period since our inception, and as of June 30, 1999, our accumulated deficit was $25.7 million.

QUARTERLY RESULTS OF OPERATIONS

The following tables set forth our statement of operations data for the six quarters ended June 30, 1999, as well as the percentage of total revenues represented by each item. This information has been derived from our unaudited financial statements. In the opinion of our management, the unaudited financial statements have been prepared on the same basis as the audited financial statements appearing elsewhere in this prospectus and include all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of such information. The quarterly data should be read in conjunction with our audited financial statements and the notes thereto appearing elsewhere in this prospectus. The results of operations for any one quarter are not necessarily indicative of the results of operations for any future period.

	THREE MONTHS ENDED					
	MAR. 31, 1998	JUN. 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MAR. 31, 1999	JUN. 30, 1999
	(IN THOUSANDS)					
Revenues	$ 314	$ 417	$ 472	$ 754	$ 1,244	$ 2,166
Costs and expenses:						
Costs of network and customer support	440	554	797	1,425	2,346	5,560
Product development	160	158	187	249	565	830
Sales and marketing	128	224	715	1,755	2,236	3,633
General and administrative	235	359	487	829	1,172	1,733
Amortization of deferred stock compensation	10	9	110	76	349	1,438
Total operating costs and expenses	973	1,304	2,296	4,334	6,668	13,194
Loss from operations	(659)	(887)	(1,824)	(3,580)	(5,424)	(11,028)
Other income (expense):						
Interest income	65	56	38	10	206	244
Interest and financing expense	(12)	(24)	(27)	(27)	(57)	(90)
Loss on disposal of assets	--	--	--	(102)	--	--
Net loss	$ (606)	$ (855)	$(1,813)	$(3,699)	$(5,275)	$(10,874)
Basic and diluted net loss per share	$(0.18)	$(0.26)	$ (0.54)	$ (1.11)	$ (1.58)	$ (3.18)
Weighted average shares used in computing basic and diluted net loss per share	3,335	3,337	3,337	3,337	3,337	3,420

	AS A PERCENTAGE OF REVENUES					
	MAR. 31, 1998	JUN. 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MAR. 31, 1999	JUN. 30, 1999
Revenues	100%	100%	100%	100%	100%	100%
Costs and expenses:						
Costs of network and customer support	140	133	170	189	189	257
Product development	51	38	40	33	45	38
Sales and marketing	41	54	151	233	180	168
General and administrative	75	86	103	110	94	80
Amortization of deferred stock compensation	3	2	23	10	28	66
Total operating costs and expenses	310	313	487	575	536	609
Loss from operations	(210)	(213)	(387)	(475)	(436)	(509)
Other income (expense):						
Interest income	21	14	8	1	17	11
Interest and financing expense	(4)	(6)	(5)	(4)	(5)	(4)

Loss on disposal of assets	--	--	--	(13)	--	--
Net loss	(193)%	(205)%	(384)%	(491)%	(424)%	(502)%

Our quarterly operating results have fluctuated significantly. We expect that future operating results will be subject to similar fluctuations for a variety of factors, which are difficult or impossible to predict. See "Risk Factors -- Negative Movements in Our Quarterly Operating Results May Disappoint Analysts' Expectations, Which Could Have a Negative Impact on Our Stock Price."

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of total revenues, selected statement of operations data for the periods indicated:

	PERIOD FROM INCEPTION (MAY 1, 1996) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
		1997	1998	1998	1999
Revenues	100%	100%	100%	100%	100%
Costs and expenses:					
Cost of network and customer support	730	105	164	136	232
Product development	418	37	39	43	41
Sales and marketing	177	25	144	48	172
General and administrative	859	68	98	81	85
Amortization of deferred stock compensation	--	--	10	3	52
Total operating costs and expenses	2,184	235	455	311	582
Loss from operations	(2,084)	(135)	(355)	(211)	(482)
Other income (expense):					
Interest income	13	3	9	16	12
Interest and financing expense	(109)	(22)	(5)	(5)	(4)
Loss on disposal of assets	--	--	(5)	--	--
Net loss	(2,180)%	(154)%	(356)%	(200)%	(474)%

SIX MONTHS ENDED JUNE 30, 1998 AND 1999

Revenues. Revenues increased 369% from $731,000 for the six-month period ended June 30, 1998 to $3.4 million for the six-month period ended June 30, 1999. This increase of $2.7 million was primarily due to increased Internet connectivity revenues. The increase in Internet connectivity revenues was attributable to the increased sales at our existing P-NAPs and the opening of six additional P-NAPs during 1999 and the second half of 1998, resulting in a total of seven operational P-NAPs at June 30, 1999, as compared to one P-NAP at June 30, 1998.

Costs of Network and Customer Support. Costs of network and customer support increased 690% from $1.0 million for the six-month period ended June 30, 1998 to $7.9 million for the six-month period ended June 30, 1999. This increase of $6.9 million was primarily due to increased connectivity costs related to

added connections to Internet backbone providers at each P-NAP, comprising 53% of the increase, and to a lesser extent, additional compensation costs comprising 17% of the increase, and depreciation expense related to the equipment at newly deployed P-NAPs comprising 10% of the increase. The increase in compensation costs is primarily attributable to headcount changes including 10 additional personnel at our network operations center, 24 additional personnel in our customer installation department and 21 additional personnel in our P-NAP deployment department. Network and customer support costs as a percentage of total revenues are generally greater than 100% for newly deployed P-NAPs because we purchase Internet connectivity

capacity from the backbone providers in advance of securing new customers. We expect these costs to increase in absolute dollars as we deploy additional P-NAPs.

Product Development. Product development costs increased 346% from $318,000 for the six-month period ended June 30, 1998, to $1.4 million for the six-month period ended June 30, 1999. This increase of $1.1 million was primarily due to compensation costs related to the addition of 29 personnel, comprising 45% of the increase, and outside consulting fees, comprising 35% of the increase. We expect product development costs to increase in absolute dollars for the foreseeable future.

Sales and Marketing. Sales and marketing costs increased 1,563% from $352,000 for the six-month period ended June 30, 1998 to $5.9 million for the six-month period ended June 30, 1999. This increase of $5.5 million was primarily due to compensation costs related to the addition of 84 personnel, comprising 71% of the increase, and to a lesser extent, facility costs related to the addition of sales offices. As part of our expanded sales and marketing activities, we hired a vice president of sales and marketing during the second quarter of 1998 and additional sales personnel during the second half of 1998 and the first half of 1999.

General and Administrative. General and administrative costs increased 387% from $594,000 for the six-months ended June 30, 1998, to $2.9 million for the six-month period ended June 30, 1999. This increase of $2.3 million was primarily due to compensation costs related to the addition of 26 personnel, comprising 39% of the change, increased depreciation and amortization costs due to the addition of corporate office space during the third quarter of 1998, comprising 13% of the increase, and professional services costs, comprising 10% of the increase. We expect general and administrative costs to increase in absolute dollars as we deploy additional P-NAPs.

Other Income (Expense). Other income (expense) consists of interest income, interest and financing expense and other non-operating expenses. Other income, net, increased 256% from $85,000 for the six-month period ended June 30, 1998 to $303,000 for the six-month period ended June 30, 1999. This increase was primarily due to interest income earned on the proceeds from the Series C preferred stock financing, partially offset by increased interest expense on capital lease obligations.

INCEPTION TO DECEMBER 31, 1996 AND YEARS ENDED DECEMBER 31, 1997 AND 1998

Revenues. Revenues increased from $44,000 during the period from May 1, 1996 through December 31, 1996 to $1.0 million in 1997 and to $2.0 million in 1998. The 2,273% increase of $1.0 million in 1997, as compared to the period ended December 31, 1996, and the 100% increase of $1.0 million in 1998, as compared to 1997, were primarily due to increased Internet connectivity revenues, comprising 75% of the 1997 increase and 76% of the 1998 increase,

other ancillary service revenues, comprising 15% of the 1997 increase and 12% of the 1998 increase and, to a lesser extent, customer installation fees, comprising 10% of the 1997 increase and 12% of the 1998 increase. The increase in Internet connectivity revenues was attributable to the deployment of our first P-NAP at the end of 1996 and of two additional P-NAPs during 1998, resulting in a total of three operational P-NAPs at December 31, 1998.

Costs of Network and Customer Support. Costs of network and customer support increased from $321,000 during the period from May 1, 1996 through December 31, 1996 to $1.1 million in 1997 and to $3.2 million in 1998. Costs of network and customer support increased by $771,000, or 240%, in 1997, as compared to the period ended December 31, 1996, and by $2.1 million, or 191%, in 1998, as compared to 1997. These increases were primarily due to increased connectivity costs related to added connections to Internet backbone providers at each P-NAP, comprising 70% of the 1997 increase and 40% of the 1998 increase, and depreciation expense related to the equipment at newly

deployed P-NAPs, comprising 21% of the 1997 increase and 17% of the 1998 increase. In addition, the increase in costs of network and customer support from 1997 to 1998 also included compensation costs, comprising 22% of the increase, related to 6 additional personnel at our network operations center, 7 additional personnel in our customer installation department and 7 additional personnel in our P-NAP deployment department.

Product Development. Product development costs increased from $184,000 during the period from May 1, 1996 through December 31, 1996 to $389,000 in 1997 and to $754,000 in 1998. Product development costs increased by $205,000, or 111%, in 1997, as compared to the period ended December 31, 1996, and by $365,000, or 94%, in 1998, as compared to 1997. These increases were primarily due to compensation costs, comprising 99% of the 1997 increase and 67% of the 1998 increase, and increased travel costs related to developing systems at new P-NAPs comprising 20% of the 1998 increase. The increased compensation costs were related to the addition of 4 personnel during the latter half of 1996, 2 personnel during 1997, and 4 personnel during 1998.

Sales and Marketing. Sales and marketing costs increased from $78,000 during the period from May 1, 1996 through December 31, 1996 to $261,000 in 1997 and to $2.8 million in 1998. Sales and marketing costs increased by $183,000, or 235%, in 1997, as compared to the period ended December 31, 1996 and by $2.5 million, or 958%, in 1998, as compared to 1997. These increases were primarily due to compensation costs comprising 57% of the 1997 increase and 74% of the 1998 increase, travel and entertainment costs comprising 10% of the increase in 1997 and 1998, and marketing costs related to the creation of the marketing department, comprising 31% of the 1997 increase. The increased compensation costs were related to the addition of 2 personnel in the latter half of 1996, 1 person during 1997, and 40 personnel during 1998.

General and Administrative. General and administrative costs increased from $378,000 during the period from May 1, 1996 through December 31, 1996 to $713,000 in 1997 and to $1.9 million in 1998. General and administrative costs increased by $335,000, or 89% in 1997, as compared to the period ended 1996 and by $1.2 million, or 168%, in 1998, as compared to 1997. These increases were primarily due to increased compensation costs, comprising 47% of the 1997 increase and 11% of the 1998 increase, depreciation and amortization, comprising 16% of the 1997 increase and 6% of the 1998 increase, facility costs, comprising 25% of the 1997 increase and 38% of the 1998 increase, outside consulting fees, comprising 13% of the 1998 increase, travel costs related to the deployment of new P-NAPs, comprising 13% of the 1998 increase, and bad debt expense in 1998 and the subsequent bankruptcy of a significant customer, comprising 9% of the 1998 increase. The increased compensation costs were related to the addition of 4 personnel in the latter half of 1996, and 13 personnel during the second half

of 1998.

Other Income (Expense). Other expense, net, increased from $42,000 for the period from May 1, 1996 through December 31, 1996 to $199,000 in 1997 and decreased to $23,000 in 1998. Other expense, net, increased by $157,000, or 374%, in 1997 as compared to the period ended December 31, 1996 primarily due to an expense of $124,000 related to the issuance of warrants to purchase Series B preferred stock, and additional interest expense on capital lease obligations, partially offset by additional interest income on the proceeds from the Series B preferred stock financing. Other expense, net, decreased by $176,000, or 88%, in 1998 primarily due to increased interest income earned on the proceeds from the Series B preferred stock financing, offset by a loss on disposal of assets of $102,000.

PROVISION FOR INCOME TAXES

We incurred operating losses from inception through June 30, 1999, and therefore have not recorded a provision for income taxes. We have recorded a valuation allowance for the full amount of our net deferred tax assets, as the future realization of the tax benefit is not currently likely.

As of December 31, 1998, we had net operating loss carry-forwards of $7.2 million. These loss carry-forwards are available to reduce future taxable income and expire at various dates through 2018. Under the provisions of the Internal Revenue Code, certain substantial changes in our ownership may limit the amount of net operating loss carry-forwards that could be utilized annually in the future to offset taxable income.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have financed our operations primarily through the issuance of our equity securities, capital leases and bank loans. We have raised an aggregate of approximately $40.7 million, net of offering expenses, through the sale of our equity securities.

At June 30, 1999, we had cash, cash equivalents and short-term investments of $13.3 million. We have a revolving line of credit with Silicon Valley Bank under which we are allowed to borrow up to $750,000. At June 30, 1999, we had drawn $625,000 on the line of credit, with the remaining balance reserved as collateral for our company credit cards. The line of credit requires interest only payments at prime plus 1% and matured in May 1999. During July 1999, we amended our existing line of credit and established a new line of credit with the same financial institution. The new line of credit allows us to borrow up to $3,000,000, as limited by certain borrowing base requirements which include maintaining certain levels of monthly revenues and customer turnover ratios. The new line of credit requires monthly payments of interest only at prime plus 1% and matures on June 30, 2000. We borrowed an additional $900,000 on the new line of credit during July 1999.

On August 23, 1999, we entered into an equipment financing arrangement with Finova Capital Corporation allowing us to borrow up to $5,000,000 for the purchase of property and equipment. During August 1999, we borrowed approximately $1,900,000 pursuant to this arrangement.

On August 31, 1999, we entered into a standby loan facility commitment letter with 7 shareholders, including a director of ours who will also act as the administrative agent for the proposed facility. Upon completion of a definitive agreement, the facility will allow us to draw up to $10,000,000 prior to December 31, 1999. The facility will bear interest at prime plus 2% with principal and interest due on the earlier of six months from the first draw or a public or private sale of stock. Additionally, upon completion of the definitive agreement, we will issue warrants to purchase 100,000 shares of common stock with an exercise price equal to our initial public offering share price or at a

price determined in a private sale of our stock. Further, at our option, the facility can be extended for an additional six month term in consideration for the issuance of warrants to purchase an additional 100,000 shares of our common stock.

Net cash used in operations was $13.3 million for the six months ended June 30, 1999. Net cash used in operations was $5.3 million in 1998, $1.1 million in 1997 and $679,000 in the period ended December 31, 1996. Net cash used in operations for the six months ended June 30, 1999 was primarily due to net operating losses, increases in accounts receivable and prepaid expenses, partially offset by non-cash charges and an increase in accounts payable. Net cash used in operations for the year ended December 31, 1998 was primarily due to net operating losses and increases in accounts receivable and prepaid expenses, partially offset by non-cash charges and increases in accounts payable and accrued liabilities. Net cash used in operations for the year ended December 31, 1997 was primarily due to net operating losses and accounts receivable, partially offset by non-cash charges.

Net cash used in operations for the period ended December 31, 1996 was primarily due to operating losses and prepaid expenses, partially offset by an increase in accounts payable.

Net cash used in investing activities was $14.2 million for the six months ended June 30, 1999. Net cash used in investing activities was $702,000 in 1998, $141,000 in 1997 and $174,000 in the period ended December 31, 1996. Net cash used in investing activities in each period reflects increased purchases of property and equipment not financed by capital leases. Purchases of property and equipment related to P-NAP deployments was primarily financed by capital leases (such purchases are excluded from the net cash used in investing activities in the statement of cash flows), and totaled $6.3 million for the six months ended June 30, 1999, $3.6 million for the year ended 1998, $260,000 for the year ended 1997, and $740,000 for the period ended December 31, 1996. Additionally, for the six month period ended June 30, 1999, $10.0 million was used to purchase short-term investments.

Net cash provided from financing activities was $30.6 million for the six months ended June 30, 1999, $1.5 million in 1998, $5.9 million in 1997 and $1.0 million in the period ended December 31, 1996. Net cash from financing activities primarily reflects proceeds from the private sales of our equity securities.

We expect to spend significant additional capital to recruit and train our customer installation team and the sales force and to build out the sales facilities related to newly deployed P-NAPs. In addition to P-NAP deployment, although to a lesser extent, product development and the development of our internal systems and software will continue to require significant capital expenditures in the foreseeable future, as will the expansion of our marketing efforts. We expect to continue to expend significant amounts of capital on property and equipment related to the expansion of facility infrastructure, computer equipment and for research and development laboratory and test equipment to support on-going research and development operations.

We believe that the net proceeds from this offering, together with our cash and cash equivalents, short-term investments and funds available under the revolving and capital lease lines will be sufficient to satisfy our cash requirements for the next 12 months. Depending on our rate of growth and cash requirements, we may require additional equity or debt financing to meet future working capital needs, which may have a dilutive effect on our then current shareholders. We cannot assure you that such additional financing will be available or, if available, that such financing can be obtained on satisfactory terms. Our management intends to invest cash in excess of current operating requirements in short-term, interest-bearing, investment-grade securities.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Substantially all of our cash equivalents, short-term investments and

capital lease obligations are at fixed interest rates, and therefore the fair value of these instruments is affected by changes in market interest rates. However, as of June 30, 1999, all of our cash equivalents mature within three months and all of our short-term investments mature within one year. As of June 30, 1999, we believe the reported amounts of cash equivalents, short-term investments and capital lease obligations to be reasonable approximations of their fair values. As a result, we believe that the market risk arising from our holdings of financial instruments is minimal.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, or SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments

and hedging activities. SFAS No. 133, which will be effective for us for the fiscal years and quarters beginning after June 15, 2000, requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. We are assessing the requirements of SFAS No. 133 and the effects, if any, on our financial position, results of operations and cash flows.

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, or SOP 98-5, "Reporting on the Costs of Start-Up Activities." This standard requires companies to expense the costs of start-up activities and organization costs as incurred. In general, SOP 98-5 is effective for fiscal years beginning after December 15, 1998. The adoption of SOP 98-5 did not have a material impact on our results of operations.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, or SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This standard requires companies to capitalize qualifying computer software costs which are incurred during the application development stage and amortize them over the software's estimated useful life. SOP 98-1 is effective for fiscal years beginning after December 15, 1998, however early adoption is allowed. We adopted the requirements of SOP 98-1 during 1998.

IMPACT OF YEAR 2000

Many computers, software and other equipment include computer code in which calendar year data is abbreviated to only two digits. As a result of this design decision, some of these systems could fail to operate or fail to produce correct results if "00" is interpreted to mean 1900, rather than 2000. These problems are widely expected to increase in frequency and severity as the year 2000 approaches, and are commonly referred to as the "Year 2000 problem."

General Readiness Assessment. The Year 2000 problem may affect the network infrastructure, computers, software and other equipment that we use, operate or maintain for our operations. As a result, we have formalized our Year 2000 compliance plan, to be implemented by a team of employees, led by our internal information technology staff, responsible for monitoring the assessment and remediation status of our Year 2000 projects and reporting their status to the audit committee of our board of directors. Additionally, according to our Year 2000 compliance plan, the project team has compiled a listing of all mission-critical items, both internally developed and externally purchased, which may be impacted by the Year 2000 problem. We are in the process of obtaining verification or validation from any independent third parties whose products and services are deemed mission-critical to our processes to assess and correct any of our Year 2000 problems or the costs associated with these products and services. We expect to have all third party verifications, or replacement of the related item, completed by the end of the third quarter of 1999. We believe that we have identified most of the major computers, software applications and related equipment used in connection with our internal operations that will need to be evaluated to determine if they must be modified, upgraded or replaced to minimize the possibility of a material disruption to our business. We expect to complete this process before the occurrence of any material disruption of our business.

Assessment of Internal Infrastructure. Beginning in 1998, we began

assessing the ability of our internally developed software, infrastructure and technologies to operate properly in the year 2000. We believe that our current internally developed software, infrastructure and technologies are Year 2000 compliant. We have completed a testing plan and expect to complete replacement of any required components by the end of the third quarter of 1999. Additionally, as we design and develop new products, we subject them to testing for Year 2000 compliance and the ability to distinguish between various date formats.

Systems Other than Information Technology Systems. In addition to computers and related systems, the operation of office and facilities equipment, such as fax machines, telephone switches, security systems and other common devices may be affected by the Year 2000 problem. We are currently contacting all related third party suppliers or testing the related items. We expect to have this process completed and necessary replacements finished by the end of third quarter of 1999.

Costs of Remediation. We estimate the total cost of completing any required modifications, upgrades or replacements of our internal systems will not exceed $50,000, most of which we expect to incur during calendar 1999. This estimate is being monitored, and we will revise it as additional information becomes available.

Based on the activities described above, we do not believe that the Year 2000 problem will significantly harm our business or operating results. In addition, we have not deferred any material information technology projects, nor equipment purchases, as a result of our Year 2000 problem activities.

Business Relationships. As part of our Year 2000 plan, we are in the process of reviewing third-party suppliers of components used in the delivery of our services, including AT&T, Cable and Wireless USA, Cisco Systems, Intermedia, GTE, Sprint, PSINet, Netcom, UUNET and Verio, to identify and, to the extent possible, resolve issues involving the Year 2000 problem. Additionally, we are in the process of reviewing significant customers, including U.S. Electrodynamics and Go2Net, to identify and, to the extent possible, resolve issues involving the Year 2000 problem. However, we have limited or no control over the actions of these third-party suppliers and customers. Thus, while we expect that we will be able to resolve any significant Year 2000 problems with these third parties, there can be no assurance that these business relationships will resolve any or all Year 2000 problems before the occurrence of a material disruption to the operation of our business. Any failure of these third parties to timely resolve Year 2000 problems with their systems could significantly harm our business, financial condition and results of operations.

Most Likely Consequences of Year 2000 Problems. We expect to identify and resolve all Year 2000 problems that could significantly harm our business operations. However, we believe that it is not possible to determine with complete certainty that all Year 2000 problems affecting us have been identified or corrected. The number of devices and systems that could be affected and the interactions among these devices and systems are too numerous to address. In addition, no one can accurately predict which Year 2000 problem-related failures will occur or the severity, timing, duration, or financial consequences of these potential failures. As a result, we believe that the following consequences are possible:

- a significant number of operational inconveniences and inefficiencies for us, our suppliers and our customers that will divert management's time and attention and financial and human resources from ordinary business activities;

- possible business disputes and claims, including claims under our quality of service warranty, due to Year 2000 problems experienced by our customers and incorrectly attributed to our services or performance, which we believe will be resolved in the ordinary course of business;

- a few serious business disputes alleging that we failed to comply with

the terms of contracts or industry standards of performance, some of which could result in litigation or contract termination; and

- one or more of our backbone or other telecommunication providers may encounter difficulties related to the Year 2000 and, as a result, may not be able to send data to or receive data from one or more of our P-NAPs.

Contingency Plans. We are currently developing contingency plans to be implemented if our efforts to identify and correct Year 2000 problems affecting our internal systems are not effective. We expect to complete our contingency plans by the end of the third quarter of 1999. Depending on the systems affected, these plans could include:

- accelerated replacement of affected equipment or software;

- short to medium-term use of backup equipment and software or other redundant systems;

- increased work hours for our personnel or the hiring of additional information technology staff; and

- the use of contract personnel to correct, on an accelerated basis, any Year 2000 problems that arise or to provide interim alternate solutions for information system deficiencies.

Our implementation of any of these contingency plans could significantly harm our business, financial condition and results of operations.

BUSINESS

OVERVIEW

InterNAP is a leading provider of fast, reliable and centrally managed Internet connectivity services targeted at businesses seeking to maximize the performance of mission-critical Internet-based applications. Customers connected to one of our Private-Network Access Points, or P-NAPs, have their data optimally routed to and from destinations on the Internet in a manner that minimizes the use of congested public network access points and private peering points. This optimal routing of data traffic over the multiplicity of networks that comprise the Internet enables higher transmission speeds, lower instances of data loss and greater quality of service than services offered by conventional Internet connectivity providers. As of June 30, 1999, we provided consistent high performance Internet connectivity services to approximately 120 customers, including Amazon.com, Fidelity Investments, Go2Net, ITXC, Nasdaq, TheStreet.com and WebTV.

We offer our high performance Internet connectivity services at dedicated line speeds of 1.5 Megabits per second, or Mbps, to 155 Mbps to customers desiring a superior level of Internet performance. We provide our high performance connectivity services through the deployment of P-NAPs, which are highly redundant network infrastructure facilities coupled with our patented routing technology. P-NAPs maintain high speed, dedicated connections to major global Internet networks, commonly referred to as backbones, such as AGIS, AT&T, Cable & Wireless USA, GTE Internetworking, ICG Communications, Intermedia, PSINet, Sprint, UUNET and Verio. In addition, we have entered into a traffic exchange interconnect agreement with America Online, Inc. We currently operate eight P-NAPs which are located in the Atlanta, Boston, Chicago, Los Angeles, New York, San Jose, Seattle and Washington, D.C. metropolitan areas. We expect to complete the deployment of an additional four P-NAPs in the Dallas, Miami, New York and Philadelphia metropolitan areas by the end of 1999.

We believe that our P-NAPs provide a quality of service over the public Internet enabling our customers to realize the full potential of their existing Internet-based applications, such as e-commerce and on-line trading. In addition, we believe our P-NAPs will enable our customers to take advantage of new services, such as using the Internet to make telephone calls or send facsimiles, create private networks, distribute multimedia documents and send and receive audio and video feeds.

INDUSTRY BACKGROUND

THE GROWING IMPORTANCE OF THE INTERNET FOR MISSION-CRITICAL INTERNET-BASED APPLICATIONS

The Internet has emerged as a global medium for communications and commerce. The growth in data that is transmitted over the Internet, or data traffic, is driven by a number of factors, including the rapidly increasing number of network-enabled and Internet-based applications, the growing number of personal computers linked to the Internet, improvements in network-enabled devices, servers and routers, and the increasing availability of broadband connections. As an illustration of this growth, Pioneer Consulting, LLC estimates that Internet bandwidth demand in North America will grow from 175 Gigabits per second in 1998 to 2,990 Gigabits per second in 2003, representing a 76% compound annual growth rate.

Once primarily used for e-mail and retrieving information, the Internet is now being used as a communications platform for an increasing number of mission-critical Internet-based applications, such as those relating to electronic commerce, private networks, telephone and facsimile capabilities, supply chain management, customer service and project coordination. To improve the effectiveness of

their mission-critical Internet-based applications, businesses are requiring increasing levels of network performance, including speed, reliability and manageability, across the Internet.

The loss of data as it is transmitted over the Internet and inefficiencies in transferring data across the Internet are fundamental causes of unsatisfactory performance of Internet-based applications. Many of these problems are caused by the architectural shortcomings of the Internet that have led to the largely unorchestrated transfer of data traffic from one commercially run network to another. The recent increases in network capacity and improvements in the performance of network devices fail to address many of the problems associated with exchanging data between the multiple networks which comprise the Internet. Further, the popularity of the Internet has resulted in an ever-increasing number of users transmitting rapidly increasing volumes of data across the Internet.

THE EMERGENCE OF MULTIPLE INTERNET BACKBONES

The Internet originated as a restricted network designed to provide efficient and reliable long distance data communications among the disparate computer systems used by government funded researchers and organizations. As businesses began to use the Internet for functions critical to their core strategies, telecommunications companies established additional networks, or backbones, to supplement the original public infrastructure and satisfy this increasing demand. In this way, the original public Internet infrastructure has grown into a "network of networks" run by numerous commercial telecommunications companies, each of which manages its own backbone. Currently, the Internet is a global collection of hundreds of interconnected computer networks. Of these networks, approximately a dozen commercial backbones contain the majority of the global addressable routes on the Internet. These backbones were developed at great expense but are nonetheless constrained by the fundamental limitations of the Internet's architecture. They must connect to one another, or peer, to

permit their customers to communicate with each other. Consequently, many backbone providers have agreed to exchange large volumes of data traffic through a limited number of public network access points.

Five major public network access points are in use today, including the Metropolitan Area Exchange East, or MAE East, near Washington, D.C. and MAE West in San Jose. The public network access points are not centrally managed and no single entity has the economic incentive or ability to facilitate problem resolution, to optimize peering within the public network access points or to bring about centralized routing administration. As a consequence of the lack of coordination among backbones at these public peering points and in order to avoid the increasing congestion and resulting data loss at the public network access points, a number of the backbone providers have established private interfaces connecting pairs of backbones for the exchange of traffic. Although private peering arrangements are helpful for exchanging traffic, they do not overcome the structural and economic shortcomings of the Internet.

THE PROBLEM OF INEFFICIENT ROUTING OF DATA TRAFFIC ON THE INTERNET

Data loss is a fundamental cause of the slowness and unreliability that are characteristic of the Internet today. Data loss occurs when the devices handling data lose track of packets before they can be transferred, or routed, to their destination. When this occurs, the computer that originally sent a lost packet will resend it until it receives confirmation of receipt by the destination device, thus compounding the congestion. Data loss most frequently occurs at Internet exchange points, such as public network access points and private peering points. We believe that packet loss at the public network access points can exceed 20% during peak hours. This can have a dramatic impact on the effective speed at which data is transmitted over the Internet. For example, according to an industry

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source, downloading a file from a web site under conditions with 1% data loss can take up to twice as long as doing so when there is no data loss.

Due to the Internet's lack of central management, there is no organized mechanism to route traffic to avoid congestion at the public network access points and private peering points. The individual backbone providers only control the routing of data within their backbones, and their routing practices tend to compound the inefficiency of the Internet. When a backbone provider receives a packet that is not destined for one of its own customers, it must route it to another backbone provider to complete the delivery of the packet on the Internet.

Since the use of a public network access point or a private peering point typically involves no economic settlement, a backbone provider will often route the data to the nearest point of traffic exchange, in an effort to get the packet off its network and onto a competitor's backbone as quickly as possible. In this manner, the backbone provider reduces capacity and management burdens on its transport network. Consequently, in order to complete a communication, data ordinarily passes through multiple networks and peering points without regard to congestion or other factors that inhibit performance. Further, once data leaves a backbone destined for another network, the backbone provider has no way of controlling the quality of the end-to-end connection. As a result, it is virtually impossible for a single backbone provider to offer a high quality of service across disparate networks. For customers of conventional Internet connectivity providers, this results in lost data, slower and more erratic transmission speeds, and an overall lower quality of service. Equally important, these customers have no control over these arrangements and have no single point of contact that they can hold accountable for any decrease in service levels, such as poor data transmission performance. An example of routing over the Internet is depicted in the figure below.

[Graphic on page 36 depicting an example of routing over the Internet]

The Inefficiencies of the Internet Today:
A. Backbone A passes off the ISP Customer request for data at the nearest public or private with Backbone B, regardless of congestion or performance problems occurring at the exchange.
   Free private peering provides no economic settlement between 2 networks, thereby resulting in "best effort" delivery with no guarantees or accountability for poor performance or lost data.
B. Using an asymmetric return route, Backbone B passes off the ISP Customer request at a public peering exchange forcing the data to transit across yet another potentially congested network infrastructure.

[GRAPHIC]

The Internet is rapidly becoming a critically important medium for communications and commerce. However, businesses are unable to benefit from the full potential of the Internet primarily because peering and routing practices, current routing technologies, and the Internet's architecture were not designed to support today's large and rapidly growing volume of traffic. We believe the emergence of technologies and applications that rely on network quality and require consistent and

high speed data transfer, such as voice and fax over Internet Protocol, virtual private network services, multimedia document distribution and audio and video streaming, will be hindered by the performance problems of the Internet. We also believe the future of Internet connectivity services will be driven by providers that, through high performance Internet routing services, provide consistent high quality of service and enable businesses to successfully execute their mission-critical Internet-based applications over the public network infrastructures.

THE INTERNAP SOLUTION

We are a leading provider of fast, reliable and centrally managed Internet connectivity services targeted at businesses seeking to maximize the performance of mission-critical Internet-based applications. Utilizing our proprietary network architecture and advanced routing technologies, we route our customers' data in an optimal manner over the Internet. We currently operate eight P-NAPs across the United States. Our P-NAP network model is depicted below:

[Graphic on page 37 depicting P-NAP routing method]
The InterNAP Solution:
A. The P-NAP intelligently routes data transmissions between the ISP customer and the P-NAP customer Web Site, bypassing congested and unreliable public NAPs and private peering relationships.
B. The P-NAP intelligently routes data transmissions between the Web Site and the P-NAP ISP Customer, bypassing congested and unreliable public and private peering relationships.
C. For ISPs and Web Sites that are customers of the same P-NAP, data transmissions occur within the local P-NAP infrastructure, bypassing the Internet entirely.

[GRAPHIC]

By connecting to one of our P-NAPs, mission-critical inbound and outbound data transmissions travel an optimal route to and from destinations on the Internet. This optimal routing of data traffic over the Internet enables higher transmission speeds, lower instances of data loss and greater quality of service. Our high performance Internet connectivity services provide the following key advantages:

High Performance Connectivity. We route our customers' traffic over the Internet in a way that we believe provides consistently greater speed, along with superior end-to-end control, predictability and reliability, than services offered by conventional Internet connectivity providers. Our P-NAPs have high-speed, direct connections to major global Internet backbones. Our proprietary technology may be used to route data directly to the Internet backbone on which a given destination resides, thereby giving our customers direct access to the destination network for a large majority of global Internet addresses. This network architecture combined with our proprietary routing technology generally bypasses congested public network access points and private peering points, reduces data

loss and improves reliability and performance for our customers to any of our multiple backbone connections. In addition, customers directly connected to the same P-NAP get one-hop access when communicating with each other, completely avoiding the public Internet.

We use multiple connections to major backbones to create our own virtual backbone, instead of owning or operating an expensive long-haul backbone infrastructure. As a result, we can offer customers improved service levels by optimally routing traffic between any two P-NAPs using our virtual backbone. Consequently, any customer connected to any P-NAP will experience optimal public backbone network performance in communicating with any other customer connected to any other P-NAP. A model of InterNAP's virtual backbone created between any two P-NAPs is depicted below:

[Graphic on page 38 depicting the InterNAP virtual backbone]

[GRAPHIC]

Highly Reliable Network Architecture. P-NAPs are designed with a highly redundant network infrastructure, including multiple local loop connections from multiple carriers. This design minimizes interruptions of network operations. If a backbone network connected to a P-NAP should fail, we can instantly reroute data using any of the remaining networks connected to the P-NAP. As a result, our customers experience more reliable services and are less likely to need and pay for redundant Internet backbone connections.

Superior Route Optimization and Management. Our proprietary routing technology and network management system provide us with data that enables us to manage network traffic and to offer economic settlements to backbone providers for the transfer of our customers' data packets. As a result, we are able to obtain full sets of global Internet Protocol routes from each backbone provider connected to a P-NAP, and choose from among these routes the most optimal route for our customers' traffic. We are therefore able to hold all of our backbone providers accountable for performance within their respective networks. In addition, because we manage all backbone connections into and out of each P-NAP, we are able to centrally forecast and plan for upgrades. We believe this consistently provides our customers with better service and minimizes congestion and data packet loss for all of the backbones to which our P-NAPs are connected.

Scalability and Flexibility. Our Internet connectivity services are designed to be scalable and flexible. Since P-NAPs are localized infrastructures, not long haul backbones, we can manage capacity issues and traffic flows for each backbone provider at each P-NAP separately. Unlike a backbone provider, we do not need to make uniform capacity upgrades across an entire network as traffic levels increase. Furthermore, an upgrade to one backbone provider does not require similar upgrades to all backbones connected to a P-NAP or upgrades throughout our system of P-NAPs. This allows us to more readily scale our capacity as traffic levels increase.

Superior Customer Service and Support. Our network operations center is staffed 24 hours a day, seven days a week, by skilled engineers. Equipped with

sophisticated traffic management reporting and diagnostic tools, they provide our customers with a single point of contact for support inquiries, network troubleshooting and diagnosis. The network operations center constantly monitors the operation of all our P-NAPs, as well as the backbones connected to them, and provides our customers and backbone providers with real-time notification and management of events that might affect service, such as network congestion, equipment failures and network or power outages. Given the overall complexity of our technology and our highly skilled engineers, we believe that our customer support services create a significant barrier to entry for competitors. In addition, since we are a paying customer of each backbone provider connected to a P-NAP, we believe we can get better response times, service level agreements and trouble ticket resolution than Internet service providers that rely on free public peering arrangements.

STRATEGY

Our objective is to be the leading provider of high performance Internet connectivity services that enable businesses to run mission-critical Internet-based applications and to establish and maintain the standard of quality for Internet connectivity services. We are committed to attracting, hiring and retaining exceptional employees at all levels of our organization in order to realize these objectives. Key components of our strategy include:

Enhance Our Core Technologies to Provide the Highest Performance Internet Connectivity Services. We plan to continue developing our P-NAPs, as well as our network operations center, to enhance the level of service we provide to our customers. Our P-NAPs and network operations center have been designed to allow expansion of the features and functionalities of our services and have the scalability required to meet the growing needs of customers. We believe that enhancements to our proprietary technologies are integral to our ability to continue to penetrate new markets and to provide new value-added services to existing customers. For example, we intend to use the intelligent routing capabilities of our P-NAPs to enable our customers to take advantage of new services such as telephone and facsimile capabilities, private networks, multimedia document distribution and audio and video feeds.

Continue to Provide Superior Customer Service and Support. We intend to continue providing our customers with superior customer service and support 24-hours a day, seven days a week. We believe that we can continue to improve our competitive position by supporting our service with our highly-skilled engineers, sophisticated traffic management reporting and diagnostic tools, and network operations center. To reduce the risk of service interruptions, we plan to build a second network operations center that will also monitor all of our P-NAPs. We intend to use our status as a paying customer of the major backbone providers to obtain a higher level of service which we can pass on to our customers.

Expand Our Geographic Coverage in Key Markets. We currently offer our services through our P-NAPs in eight key metropolitan areas across the United States and intend to aggressively deploy P-NAPs in key markets across the United States and internationally. As part of our deployment plan,

we expect to complete the deployment of four additional P-NAPs in the United States by the end of 1999.

Continue to Build Our Brand Awareness. We intend to aggressively build our customer base by increasing awareness of the InterNAP brand. We believe that associating our brand with a high quality of service is key to the expansion of our customer base. As we grow in size, we intend to invest in building brand awareness through a marketing plan that includes P-NAP launch events, trade shows, speaking events and media appearances, news announcements, advertisements and customer testimonials.

Continue to Target Strategic Markets. We intend to expand our sales and marketing activities by continuing to focus on five strategic market segments,

including high technology, e-commerce and retail, communication providers, financial services, and entertainment and publishing. The businesses in these market segments are characterized by early adoption of Internet services and a need for fast, reliable and manageable Internet connectivity services. By focusing on specific strategic markets we expect to be able to leverage our industry knowledge and highly experienced sales force to extend our market reach. We also intend to expand our indirect sales channels by partnering with leading resellers with strong backgrounds and market presence in these markets.

Maintain Backbone Provider Neutrality. At each P-NAP, we have connections with at least four major backbone providers. In order to provide one-hop service to a large majority of Internet destinations, we must maintain high-volume connections with major backbone providers. We plan to continue to do this as new backbone providers emerge, as existing backbone providers increase in market size in the metropolitan areas where our P-NAPs are located and as global Internet traffic patterns change. We do not favor one backbone provider over another, but rather use our proprietary technology to route packets directly to the backbone on which an Internet destination is located. We believe this provides substantial benefits to all backbone providers to whom we connect, because we deliver only packets destined for each backbone provider's customers, thus improving the efficiencies of their infrastructure.

CUSTOMERS

We have established a diversified base of customers across a wide range of industries. As of June 30, 1999, we had approximately 120 customers. The following is a list of selected customers whose monthly bill was between $5,000 and $94,000 for June 1999:

Adforce	Go2Net	Seattle Times
Adknowledge	Homegrocer.com	Shopping.com
Advanced Radio Telecom	Humongous Entertainment	TheStreet.com
Amazon.com	ITXC Corp	Tradescape.com
art.com	Nasdaq	U.S. Electrodynamics
Datek Online	Primus Telecommunications	Waterhouse Investor Services
eBay	Recreational Equipment, Inc.	WebTV Networks
Enron Communications	Seanet Corporation	Won.net
Fidelity Investments		

We offer superior customer service and support from our network operations center staffed 24 hours a day, seven days a week by highly skilled network engineers who use our sophisticated traffic management reporting and diagnostic tools. As of June 30, 1999, we had 92 employees dedicated to customer service, network support and P-NAP engineering. Our customer service personnel are also available to assist customers whose operations require specialized procedures.

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Our customer contracts generally cover the provision of services for a one to three year period and may contain service level warranties. To date, none of our customers has utilized this warranty to receive a credit for a period of free service. We have had limited contract renewal experience with customers whose initial service contract terms have expired. Since inception, we have identified six customers who chose not to renew their service with us.

SERVICES

We offer Internet connectivity services to our customers over T-1, DS-3 and OC-3 telecommunication connections at speeds ranging from 1.5 Mbps to 155 Mbps. Our list prices for a single connection range from $2,695 to $193,320 per month depending on the connection purchased. Customers who connect to a P-NAP with a DS-3 or faster connection have a choice of fixed rate pricing or usage based pricing. Otherwise, customers pay a fixed fee for our Internet connectivity services. Usage based pricing varies according to the volume of data sent and received over the connection.

Customers that have networking equipment or servers located within P-NAP facilities may connect directly to the P-NAP using standard Ethernet connections with speeds ranging from 10 Mbps to 200 Mbps. We also offer our customers additional value added services, including:

- InterNAP Diversity Plus. Our Diversity Plus service allows customers to maintain multiple connections to InterNAP and other backbone providers while still taking advantage of the optimal routing capabilities of the P-NAP. In a typical Diversity Plus configuration, the customer has a connection to a P-NAP and to one or more backbone providers of their choice. The customer's router is configured using our proprietary routing technology to route packets addressed to Internet destinations located on the alternate provider's backbone through the customer's direct connection while other packets are routed to the P-NAP. In this manner, the customer can use redundant Internet connections, while also taking advantage of the unique features of the P-NAP.

- Connections to Data Centers. Many of our customers have their servers located at third party data centers. We connect to these customers either by establishing a circuit directly to their routers or through a connection we have with the network maintained by the third party data center operator. We have our own data center in our Seattle P-NAP at which a number of our customers have co-located their servers.

- Installation Services. We perform installation services necessary to connect our customers' networks to our P-NAPs.

TECHNOLOGY

P-NAP Architecture. The P-NAP architecture was engineered as a reliable and scalable network access point. Multiple routers and multiple backbone connections provide back-ups in case of the failure of any single P-NAP circuit or device.

The P-NAP architecture is designed to grow as our customers' traffic demands grow and as we add new customers. Our P-NAP model provides for the addition of significant backbone providers as necessary.

InterNAP only deploys P-NAPs within central office grade facilities. All P-NAP facilities are equipped with battery backup and emergency generators, as well as dual heating, ventilation and air conditioning systems.

ASsimilator Routing Technology. ASsimilator technology is a software based system for Internet Protocol route management that interfaces with the P-NAP infrastructure to provide the high performance routing service characteristics of the P-NAP. The system is a seamless integration of databases, software programs, router configuration processes and route verification methods.

ASsimilator periodically downloads the global routing tables being advertised by all of the backbone networks touching the P-NAP. It then automatically determines exactly which Internet Protocol routes are attached to which networks and assesses how the world of Internet Protocol addresses are connected to the Internet. ASsimilator then routes data to its intended destination backbone in normal instances as well as in failure scenarios. A verification system also allows ASsimilator to monitor the routing of data, and if routing is found to be suboptimal, adjustments can be made to optimize routing. ASsimilator controls both outbound routing to a backbone network from the P-NAP as well as inbound routing from a backbone network.

Distributed Network Management System. We have developed a highly scalable proprietary network management system optimized for monitoring P-NAPs. With the use of our distributed network management system, our network operations center is capable of real-time monitoring of the backbones connected to each P-NAP, customer circuits, network devices and servers 24 hours a day, seven days a week. This system provides our network operations center with proactive trouble notification, allowing for instantaneous identification and handling of problems, frequently before our customers become aware of network problems. This system also captures and provides bandwidth usage reports for billing and customer reports. Data provided by the system is an integral part of our capacity planning and provisioning process, helping us to forecast and plan upgrades before capacity becomes strained.

Product Development Costs. Our product development costs include research and development costs, which were approximately $184,000 for the period from inception May 1, 1996 to December 31, 1996, $389,000 for the year ended December 31, 1997, $708,000 for the year ended December 31, 1998 and $903,000 for the six month period ended June 30, 1999. We expect our product development costs to increase as we hire additional engineers and technical personnel to develop new products and services and upgrade existing ones.

SALES AND MARKETING

Our sales and marketing objective is to achieve broad market penetration and increase brand name recognition by targeting enterprises that depend upon the Internet for mission-critical operations. As of June 30, 1999, we had 50 employees engaged in direct sales and sales management, 17 in sales administration and support, 13 in technical support and 12 in marketing located in 10 cities.

Sales. We have developed a direct high-end sales organization with managers who have an average of over 15 years of relevant sales experience and representatives who have many years of relevant sales experience with a broad range of telecommunications and technology companies. In addition, our highly trained technical sales engineers and client interaction engineers, who facilitate optimal routing solutions for our customers, are responsible for generating recurring sales revenues and serve to complement our sales force. When we deploy a new P-NAP, we set up a dedicated team of sales representatives and engineers focused exclusively on that market. We believe this localized direct sales approach allows us to respond to regional competitive characteristics, educate customers, and identify and close business opportunities better than a centralized sales force. We are also developing an indirect sales channel for our products and services through relationships with content developers, cable companies, DSL service providers, consulting companies and Internet service providers.

Marketing. Our marketing efforts are designed to help educate customers in our targeted vertical markets to understand that a service provider is now available that can provide a quality of service over the entire Internet that enables them to launch and execute mission-critical Internet-based applications. Our marketing activities have included collateral advertising, tradeshows, direct response programs, new P-NAP launch events and management of our Web site. These programs are targeted at key information technology executives as well as senior marketing and finance managers. In addition, we conduct comprehensive public relations efforts focused on cultivating industry analyst and media relationships with the goal of securing broad media coverage and public recognition of our proprietary high speed public Internet communications solutions.

Our marketing organization is responsible for expanding our value added service offerings into horizontal markets as new bandwidth intensive applications such as telephone and facsimile transmissions over the Internet, private networks, multimedia document distribution, audio and video feeds and other emerging technologies are introduced.

COMPETITION

The Internet-based connectivity services market is extremely competitive and there are few substantial barriers to entry. We expect that competition will intensify in the future, and we may not have the financial resources, technical expertise, sales and marketing abilities or support capabilities to compete successfully in our market. Many of our existing competitors have greater market presence, engineering and marketing capabilities, and financial, technological and personnel resources than we do. Our competitors include:

- backbone providers that provide us connectivity services including AGIS, AT&T, Cable & Wireless USA, GTE Internetworking, ICG Communications, Intermedia, PSINet, Sprint, UUNET and Verio;

- regional Bell operating companies which offer Internet access; and

- global, national and regional Internet service providers.

Because relatively low barriers to entry characterize our market, we expect other companies to enter our market. In addition, if we are successful in implementing our international expansion, we will encounter additional competition from international Internet service providers as well as international telecommunication companies. As new participants enter the Internet connectivity services market, we will face increased competition. Such new competitors could include computer hardware, software, media and other technology and telecommunications companies. A number of telecommunications companies and online service providers currently offer, or have announced plans to offer or expand, their network services. Other companies have expanded their Internet access products and services as a result of acquisitions. Further, the ability of some of our competitors to bundle other services and products with their network services could place us at a competitive disadvantage. Various companies are also exploring the possibility of providing, or are currently providing, high-speed data services using alternative delivery methods. In addition, Internet backbone providers may make technological developments, such as improved router technology, that will enhance the quality of their services.

We believe that the principal competitive factors in our market are speed and reliability of connectivity, quality of facilities, level of customer service and technical support, price, brand recognition, the effectiveness of sales and marketing efforts, and the timing and market acceptance of new solutions and enhancements to existing solutions developed by us and our competitors. We believe that we presently are positioned to compete favorably with respect to most of these factors. In particular, many of our competitors have built and must maintain capital-intensive backbone infrastructures that are highly dependent on traditional public and private peering exchanges. Each

backbone provider tries to offer high quality service within its own network but is unable to guarantee service quality once data leaves its network, and there is little incentive to optimize the interoperability of traffic between networks. We actively route traffic in an optimal manner, thereby providing customers with a high level of service and increasing the efficiency of the backbone providers themselves. However, the market for Internet connectivity services is evolving rapidly, and we cannot assure you that we will compete successfully in the future. As a result, we may not maintain a competitive position against current or future competitors. See "Risk Factors -- Competition from More Established Competitors Who Have Greater Revenues Could Result in Price Reductions, Reduced Profitability and Loss of Market Share."

INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark, trade secret and other intellectual property law, nondisclosure agreements and other protective measures to protect our proprietary technology. InterNAP and P-NAP are trademarks of InterNAP which are registered in the United States. To date, we have made two patent applications in the United States. The United States Patent and Trademark Office has recently notified us that it has allowed four of the claims in our initial patent application. When the initial patent issues, it

will be enforceable for a duration of twenty years from the date of filing, or until September 3, 2017. Additional claims that were included by amendment in that application have now been included in our second patent application. All of the patents and patent applications relate to our P-NAP technology. In addition, we have filed a corresponding international patent application under the Patent Cooperation Treaty.

We also enter into confidentiality and invention assignment agreements with our employees and consultants and control access to and distribution of our proprietary information. Despite our efforts to protect our proprietary rights, departing employees and other unauthorized parties may attempt to copy or otherwise obtain and use our products and technology. Monitoring unauthorized use of our products and technology is difficult, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

From time to time, third parties may assert patent, copyright, trademark and other intellectual property rights claims or initiate litigation against us or our suppliers or customers with respect to existing or future products and services. Although we have not been a party to any claims alleging infringement or intellectual property rights, we cannot assure you that we will not be subject to these claims in the future. Further, we may in the future initiate claims or litigation against third parties for infringement of our proprietary rights to determine the scope and validity of our proprietary rights or those of our competitors. Any of these claims, with or without merit, may be time-consuming, result in costly litigation and diversion of technical and management personnel or require us to cease using infringing technology, develop noninfringing technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on acceptable terms, if at all. In the event of a successful claim of infringement and our failure or inability to develop noninfringing technology or license the infringed or similar technology on a timely basis, our business and results of operations may be seriously harmed.

EMPLOYEES

As of June 30, 1999, we employed 221 full-time persons, 12 of whom were engaged in product development, 92 in sales and marketing, 92 in professional services and 25 in finance, administration and operations. None of our employees is represented by a labor union, and we have not experienced any work stoppages to date. We consider our employee relations to be good.

FACILITIES

Our executive offices are located in Seattle, Washington and consist of approximately 20,700 square feet that are leased under an agreement that expires in 2003. On July 1, 1999, we entered into a third amendment to our lease increasing our total square footage to approximately 74,100 square feet as of October 1, 1999. We lease facilities for our network operations center, sales offices and P-NAPs in a number of metropolitan areas and specific cities. We believe that our existing facilities, including the additional space, are adequate for our current needs and that suitable additional or alternative space will be available in the future on commercially reasonable terms as needed.

LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our ordinary course of business. We are not currently involved in any material legal proceedings.

MANAGEMENT

Our executive officers and directors, the positions held by them and their ages as of June 30, 1999 are as follows:

EXECUTIVE OFFICERS, DIRECTORS AND KEY EMPLOYEES

NAME	AGE	POSITION
Anthony C. Naughtin	43	Chief Executive Officer and Director
Paul E. McBride	37	Chief Financial Officer and Vice President of Finance
Christopher D. Wheeler	32	Chief Technology Officer and Vice President
Charles M. Ortega	44	Vice President of Sales & Marketing
Mike N. Joseph	51	Vice President of Operations and Field Engineering
Richard Perez	46	Vice President of Deployment
Eugene Eidenberg	59	Chairman of the Board
William J. Harding(1)	51	Director
Fredric W. Harman(1)	39	Director
Robert J. Lunday, Jr.(2)	60	Director
Kevin L. Ober(1)(2)	38	Director
Robert D. Shurtleff, Jr.(2)	45	Director

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(1) Member of audit committee.
(2) Member of compensation committee.

Anthony C. Naughtin founded InterNAP and has served as our Chief Executive Officer since May 1996. Mr. Naughtin has also served as our President from May 1996 to August 1999 and as our director since October 1997. Prior to founding InterNAP, he was vice president for commercial network services at ConnectSoft, Inc., an Internet and e-mail software developer, from May 1995 to May 1996. From February 1992 to May 1995, Mr. Naughtin was the director of sales at NorthWestNet, an NSFNET regional network. Mr. Naughtin has served as a director of Fine.com International Corp., a services-computer processing and data preparation company since December 1996. Mr. Naughtin holds a Bachelor of Arts in communications from the University of Iowa and is a graduate of the Creighton School of Law.

Paul E. McBride has served as our Vice President of Finance and Administration since May 1996. He has also served as our Chief Financial Officer since June 1999. Prior to joining InterNAP, Mr. McBride was Vice President of Finance and Operations at ConnectSoft Inc. from February 1995 to March 1996. From December 1992 to January 1995, he served as Chief Financial Officer and Vice President of Finance at PenUltimate, Inc., a software developer. Mr. McBride holds a Bachelor of Arts in Economics and a Bachelor of Science in Finance from the University of Colorado and holds a Master of Business Administration from the University of Southern California.

Christopher D. Wheeler has served as our Chief Technology Officer and Vice President since May 1996. Prior to joining InterNAP, Mr. Wheeler was co-founder, President and Chief Executive Officer of interGlobe Networks, Inc., a TCP/IP consulting firm from 1994 to 1996. Mr. Wheeler also worked in advanced network/Internet technology areas at NorthwestNet, which is now Verio Northwest, and was responsible for backbone engineering, routing technology design, network management tools development, network operations and systems engineering at the University of

Washington from 1989 to 1994. Mr. Wheeler holds a Bachelor of Science in Computer Science from the University of Washington.

Charles M. Ortega has served as our Vice President of Sales and Marketing since April 1998. Prior to joining InterNAP, Mr. Ortega was Director of Sales for Global and Corporate National Accounts at MCI Communications Corporation from 1989 to April 1998. Prior to MCI, he held senior sales management positions with Wang Laboratories and Hewlett Packard. Mr. Ortega holds a Bachelor of Science degree in Kinesiology from UCLA, and a Master of Business Administration from the Joan Anderson School of Business at UCLA.

Mike N. Joseph has served as our Vice President of Operations and Field Engineering since August 1999. He has served as our Vice President of Operations since June 1999 and as our Director of Corporate Engineering Operations from September 1998 to June 1999. Prior to joining InterNAP, Mr. Joseph served as Director, and later Vice President of Technical Services of Cellular Technical Services, a manufacturer of clone detection products, from July 1996 to June 1998. Prior to that, Mr. Joseph was Director of Operational System Support for AT&T Wireless, a wireless services provider, from August 1995 to May 1996. From July 1994 to August 1995, Mr. Joseph was Manager of Global Engineering at Cable & Wireless, a global voice and Internet connectivity company. Mr. Joseph attended the University of Houston.

Richard Perez has served as our Vice President of Deployment since August 1999 and as our Vice President of Deployment, Field Engineering and Provisioning from December 1998 to August 1999. Prior to joining InterNAP, Mr. Perez worked for 17 years at MCI Communications Corporation, serving in various managerial and technical positions. Mr. Perez attended the University of Maryland and is a past Advisory Board member of the University of Washington's Data Communications Extension.

Eugene Eidenberg has served as a director and chairman of InterNAP since November 1997 and as chairman of the board of directors since 1998. Dr. Eidenberg has served as a Principal of Hambrecht & Quist Venture Associates since 1998 and was an advisory director at the San Francisco investment banking firm of Hambrecht & Quist from 1995 to 1998. Dr. Eidenberg served for 12 years in a number of senior management positions with MCI Communications Corporation. His positions at MCI included Senior Vice President for Regulatory and Public Policy, President of MCI's Pacific Division, Executive Vice President for Strategic Planning and Corporate Development and Executive Vice President for MCI's international businesses. Dr. Eidenberg is currently a director of LXR Biotechnology, AAPT Ltd. and several private companies. Dr. Eidenberg holds a Ph.D. and a Master of Arts degree from Northwestern University and a Bachelor of Arts degree from the University of Wisconsin.

William J. Harding has served as a director of InterNAP since January 1999. Since 1994, Dr. Harding has been an employee and Principal of Morgan Stanley & Co. Incorporated. In addition, Dr. Harding has served as a managing member of Morgan Stanley Venture Partners, L.L.C., the general partner of Morgan Stanley Dean Witter Venture Partners. Prior to joining Morgan Stanley Dean Witter, he was a General Partner of several venture capital partnerships affiliated with J.H. Whitney & Co. Dr. Harding was associated with Amdahl Corporation from 1976 to 1985, serving in various technical and business positions. He is currently a director of ScanSoft, Inc., Persistence Software, Inc., Commerce One, Inc. and several private companies. Dr. Harding holds a Ph.D. in engineering from Arizona State University and a Master of Science degree in systems engineering and Bachelor of Science degree in engineering mathematics from the University of Arizona.

Fredric W. Harman has served as a director of InterNAP since January 1999. Since 1994, Mr. Harman has served as a Managing Member of the General Partners of venture capital funds affiliated with Oak Investment Partners. Mr. Harman served as a General Partner of Morgan Stanley Venture Capital, L.P. from 1991 to 1994. Mr. Harman serves as a director of Inktomi Corporation, ILOG, S.A., Primus Knowledge Solutions and several privately held companies. Mr. Harman holds a Bachelor of Science degree and a Masters degree in electrical engineering from Stanford University and a Master of Business Administration from Harvard University.

Robert J. Lunday, Jr. has served as a director of InterNAP since inception. Mr. Lunday has served as President of Lunday Communications, Inc., an investment company, since 1973. He was a founder of Commnet Cellular, Inc. and served on its board of directors from 1983 to 1989.

Kevin L. Ober has served as a director of InterNAP since October 1997. Mr. Ober has been a member of the investment team at Vulcan Ventures, Inc. since November 1993 and in this capacity serves as a director in several portfolio companies including Nexabit Networks, NETSchools Corporation and Command Audio, Inc. Prior to working at Vulcan Ventures, Mr. Ober served in various positions at Conner Peripherals, Inc., a computer hard disk drive manufacturer. Mr. Ober holds a Master of Business Administration from Santa Clara University and Bachelor of Science degree in business administration from St. John's University.

Robert D. Shurtleff, Jr. has served as a director of InterNAP since January 1997. In 1999, Mr. Shurtleff founded S.L. Partners, a strategic consulting group focused on early stage companies. From 1988 to 1998, Mr. Shurtleff held various positions at Microsoft Corporation, including Program Management and Development Manager and General Manager Workgroup Solutions Product Unit. Prior to working at Microsoft Corporation, Mr. Shurtleff worked at Hewlett Packard Company from 1979 to 1988. Mr. Shurtleff holds a Bachelor of Arts degree in computer science from the University of California at Berkeley.

BOARD COMPOSITION

Upon the closing of this offering, we will have authorized a range of directors from five to nine. In accordance with the terms of our amended articles of incorporation, the terms of office of the board of directors will be divided into three classes:

- Class I directors, whose term will expire at the annual meeting of shareholders to be held in 2000;

- Class II directors, whose term will expire at the annual meeting of shareholders to be held in 2001; and

- Class III directors, whose term will expire at the annual meeting of shareholders to be held in 2002.

Our Class I directors will be Robert J. Lunday, Jr. and Robert D. Shurtleff, Jr., our Class II directors will be Fredric W. Harman and Kevin L. Ober, and our Class III directors will be Eugene Eidenberg, William J. Harding and Anthony C. Naughtin. At each annual meeting of shareholders after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing a change in control or management of InterNAP.

COMMITTEES OF THE BOARD OF DIRECTORS

The board of directors has established an audit committee and a compensation committee. Our audit committee consists of Kevin L. Ober, Fredric W. Harman and William J. Harding. The audit committee reviews our internal accounting procedures and consults with and reviews the services provided by our independent accountants.

Our compensation committee consists of Kevin L. Ober, Robert J. Lunday, Jr. and Robert D. Shurtleff, Jr. The compensation committee reviews and recommends to the board of directors the compensation and benefits of all our officers and establishes and reviews general policies relating to compensation and benefits for our employees.

BOARD-COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

DIRECTOR COMPENSATION

Our directors currently do not receive any cash compensation for their services on the board of directors or any committees of the board. They are reimbursed for certain expenses in connection with attendance at board and committee meetings. From time to time, certain non-employee directors have received grants of options to purchase shares of our common stock. In March 1998, Messrs. Eidenberg and Ober each were granted an option to purchase 200,000 shares of our common stock at an exercise price of $.06 per share. Non-employee directors are expected to receive an initial option to purchase 40,000 shares of common stock and an annual option to purchase 10,000 shares of common stock under our 1999 non-employee directors' stock option plan.

EXECUTIVE COMPENSATION

The table below sets forth summary information concerning compensation paid by us during the fiscal year ended December 31, 1998 to (a) our Chief Executive Officer and President and (b) three of our other executive officers other than the Chief Executive Officer whose salary and bonus for fiscal year 1998 exceeded $100,000 and who served as an executive officer during fiscal year 1998:

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	
NAME AND PRINCIPAL POSITION	SALARY($)	BONUS($)	ALL OTHER ANNUAL COMPENSATION($)	SECURITIES UNDERLYING OPTIONS(#)	ALL OTHER COMPENSATION($)
Anthony C. Naughtin, Chief Executive Officer and President.....	$123,750	$ --	$ --	$ --	$ --
Paul E. McBride, Chief Financial Officer and Vice President.....	113,750	--	--	--	--
Christopher D. Wheeler, Chief Technical Officer and Vice President.....	113,750	--	--	--	--
Charles M. Ortega, Vice President of Sales and Marketing.....	81,658	20,000	30,000	360,000	12,000(1)

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(1) Consists of living expenses.

STOCK OPTION GRANTS AND EXERCISES IN LAST FISCAL YEAR

The following table sets forth information regarding options granted to certain of our executive officers during the fiscal year ended December 31, 1998:

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK APPRECIATION FOR OPTION TERM($)	
NAME	SHARES UNDERLYING OPTIONS GRANTED(#)	TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(%)	EXERCISE PRICE PER SHARE($)	EXPIRATION DATE	5%	10%

Charles M. Ortega.....	360,000	10.5%	$ .06	7/21/08	$13,584	$34,425

Twenty-five percent of these options vest on the first anniversary of the date of hire and the remainder vest in equal installments each month over the three-year period following the first anniversary of the date of hire. Options were granted at an exercise price equal to the fair market value of our common stock, as determined by the board of directors on the date of grant.

The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the SEC. There can be no assurance provided to any executive officer or any other holder of our securities that the actual stock price appreciation over the option term will be at the assumed 5% and 10% levels or at any other defined level.

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AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

The following table sets forth information as of December 31, 1998 regarding options held by certain of our executive officers. There were no stock appreciation rights outstanding at December 31, 1998:

			NUMBER OF SHARES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1998(#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1998($)	
NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED($)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Charles M. Ortega.....	--	--	--	360,000	--	$32,400

In the table above, the value of unexercised in-the-money options is based on the fair market value of our common stock, determined by the board of directors as discussed above to be $.15 per share on or about December 31, 1998, minus the per share exercise price multiplied by the number of shares.

EMPLOYMENT AGREEMENTS

We have entered into employment letter agreements with several of our officers, including Anthony C. Naughtin, Paul E. McBride, Christopher D. Wheeler and Charles M. Ortega. Each letter agreement sets forth the officer's compensation level. Under each letter agreement an officer serves at-will and employment may be terminated by us or by the officer at any time, with or without cause and with or without notice. Each employment agreement contains a noncompetition covenant one year in duration.

INCENTIVE STOCK PLANS

1998 Stock Option/Stock Issuance Plan. Our board of directors adopted our 1998 Stock Option/Stock Issuance Plan on February 2, 1998 and our shareholders approved it on March 1, 1998. On January 19, 1999, our board reserved an additional 1,000,000 shares for option grants under the 1998 Plan, which the shareholders approved on January 26, 1999. We have reserved a total of 5,035,000 shares for issuance under the 1998 Plan. As of June 30, 1999, 695,082 shares had been issued upon the exercise of options granted under the 1998 Plan and options to purchase 4,132,622 shares were outstanding, with 207,296 shares reserved for future grants or purchases under the 1998 Plan. Options currently outstanding under the 1998 Plan will continue in full force and effect under the terms of the 1998 Plan until these outstanding options are exercised or terminated.

The 1998 Plan provides for grants of incentive stock options that qualify under Section 422 of the Internal Revenue Code of 1986, nonstatutory stock options and common stock awards to employees, directors and consultants. Incentive stock options may be granted only to employees.

The 1998 Plan is administered by a committee appointed by the board. This committee determines the terms of awards granted, including the exercise price, the number of shares subject to the award and the exercisability of awards. The exercise price of incentive stock options granted under the 1998 Plan must be at least equal to the fair market value of our common stock on the date of grant. However, for any employee holding more than 10% of the voting power of all classes of our stock, the exercise price of incentive stock options must be equal to at least 110% of the fair market value. The exercise price of nonstatutory stock options is set by the administrator of the 1998 Plan. The maximum term of options granted under the 1998 Plan is ten years.

An optionee whose relationship as an employee, director or consultant with us or any related corporation ceases for any reason, other than for death, total and permanent disability or "for cause," may exercise options in the three-month period following the cessation, or such other period of time as determined by the administrator, unless such options terminate or expire sooner, or later, by their terms. The three-month period is extended to twelve months for terminations due to total and permanent disability or death. Options terminate immediately upon an optionee's termination "for cause." Generally, the optionholder may not transfer a stock option other than by will or the laws of descent or distribution.

In the event of specific corporate transactions, the board of directors may, in its sole discretion,

- accelerate the vesting of outstanding options under the 1998 Plan,

- arrange for outstanding options to be assumed or substituted for similar options by a successor corporation,

- arrange for outstanding options to be replaced by a comparable cash incentive program of the successor corporation or

- take no action with respect to outstanding options, in which case such options will terminate upon the completion of the corporate transaction.

The 1998 Plan will terminate on the earlier of ten years from its adoption by the board or the date all shares have been issued.

1999 Equity Incentive Plan. Our board adopted the 1999 Equity Incentive Plan on June 19, 1999. As of June 30, 1999, an aggregate of 6,500,000 shares of common stock, subject to shareholder approval, have been authorized for issuance under the Incentive Plan. As of June 30, 1999, options to purchase an aggregate of 2,004,000 shares were outstanding under the Incentive Plan and 4,496,000 shares were currently available for future grant of stock awards under the Incentive Plan.

The Incentive Plan provides for the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, nonstatutory stock options, restricted stock purchase rights and stock bonuses to our employees, consultants and directors. Incentive stock options may be granted only to employees. The Incentive Plan is administered by the board of directors

or a committee appointed by the board. The board or committee determines the terms of awards granted, including the exercise price, the number of shares subject to the award and the exercisability of awards. The exercise price of incentive stock options granted under the Incentive Plan must be at least equal to the fair market value of our common stock on the date of grant. However, for any employee holding more than 10% of the voting power of all classes of our stock, the exercise price will be at least equal to 110% of the fair market value. The exercise price of nonstatutory stock options is set by the administrator of the Incentive Plan, but can be no less than 85% of the fair market value. The maximum term of options granted under the Incentive Plan is ten years.

Unless otherwise provided in an option agreement, an optionee whose relationship as an employee, director or consultant with us or any related corporation ceases for any reason, other than for death, total and permanent disability or "for cause," may exercise options in the three-month period following this cessation, or such other period of time as determined by the administrator, unless these options terminate or expire sooner, or later, by their terms. The three-month period is extended to twelve months for terminations due to total and permanent disability and eighteen months for terminations due to death. Options terminate immediately upon an optionee's termination "for cause." Generally, the optionholder may not transfer a stock option other than by will or the laws of descent or distribution unless the optionholder holds a nonstatutory stock option

that provides for transfer in the stock option agreement. However, an optionholder may designate a beneficiary who may exercise the option following the optionholder's death.

A change in control of Internap is defined in the Incentive Plan as the sale of substantially all of our assets or merger with or into another corporation. If a change in control occurs, any outstanding options held by persons then performing services for us as an employee, director or consultant may either be assumed or continued or an equivalent award may be substituted by the surviving entity. In this situation, if options are not assumed, continued or substituted, these options will become fully exercisable, including shares as to which they would not otherwise be exercisable, and restricted stock will become fully vested. Options also become fully exercisable in the event of a securities acquisition representing 50% or more of the combined voting power of our securities or if a participant's service is terminated by a surviving corporation for any reason other than "for cause" within 13 months following a change in control.

Upon the first nine anniversaries of the adoption date of the Incentive Plan, an additional number of shares will automatically be added to the number of shares already reserved for issuance under the Incentive Plan. The additional number of shares will not be more than the lesser of

- 3 1/2% of the number of shares of our common stock issued and outstanding on the anniversary date or

- 6,500,000 shares.

When we become subject to Section 162(m) of the Internal Revenue Code, which denies a deduction to publicly held corporations for compensation paid to specified employees in a taxable year to the extent that the compensation exceeds $1,000,000, no person may be granted options under the Incentive Plan covering more than 3,000,000 shares of common stock in any calendar year.

Restricted stock purchase awards are granted under the Incentive Plan in accordance with a vesting schedule determined by the board or a committee appointed by the board. These restricted stock purchase awards are subject to a right of repurchase by us. The price of a restricted stock purchase award under the Incentive Plan cannot be less than 85% of the fair market value of the stock subject to the award on the date of grant. Stock bonuses may be awarded for past services without a purchase payment. Unless otherwise specified, rights under a stock bonus or restricted stock bonus agreement generally may not be transferred other than by will or the laws of descent and distribution as long as the stock awarded pursuant to an agreement remains subject to the agreement.

Subject to shareholder approval, as necessary, our board of directors may amend the Incentive Plan at any time. The Incentive Plan will terminate on the day before the 10th anniversary of its adoption by the board.

1999 Employee Stock Purchase Plan. In July 1999, our board of directors adopted, subject to shareholder approval, the 1999 Employee Stock Purchase Plan. A total of 1,500,000 shares of common stock have been reserved for issuance under the purchase plan. Upon the first nine anniversaries of the adoption date of the purchase plan, the number of shares reserved for issuance under the purchase plan will automatically be increased by 2% of the total number of shares of common stock then outstanding or, if less, by 1,500,000 shares. The purchase plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Code.

The purchase plan provides a means by which employees may purchase common stock of InterNAP through payroll deductions. The purchase plan is implemented by offering rights to eligible employees. Under the purchase plan, we may specify offerings with a duration of not more than 27 months, and may specify shorter purchase periods within each offering. The first offering will begin

on the effective date of this offering and terminate on June 30, 2001. Purchase dates will occur each December 31 and June 30 after the initial offering.

Employees who participate in an offering under the purchase plan may have up to 15% of their earnings withheld. The amount withheld is then used to purchase shares of the common stock on specified dates determined by the board of directors. The price of common stock purchased under the purchase plan will be equal to 85% of the lower of the fair market value of the common stock at the commencement date of each offering period or the relevant purchase date. Employees may end their participation in an offering at any time during the offering except during the 15 day period immediately prior to a purchase date. Employees' participation in all offerings will end automatically on termination of their employment with us or one of our subsidiaries.

Unless otherwise determined by our board of directors, employees are eligible to participate in the purchase plan only if they are customarily employed by us, or one of our subsidiaries designated by the board of directors, for at least 20 hours per week and five months per calendar year. No employee may be granted rights under the purchase plan if immediately after the rights are granted, the employee will have voting power over 5% or more of our outstanding capital stock. Eligible employees may be granted rights only if the rights together with any other rights granted under employee stock purchase plans, do not permit an employee's rights to purchase our stock to accrue at a rate which exceeds $25,000 of fair market value of our stock for each calendar year in which our rights are outstanding.

Upon a change in control of InterNAP, our board of directors has discretion to provide that each right to purchase common stock

- will be assumed

- an equivalent right substituted by the successor corporation or

- all sums collected by payroll deductions to be applied to purchase stock immediately prior to the change in control. The board of directors has the authority to amend or terminate the purchase plan, but no such action may adversely affect any outstanding rights to purchase common stock.

1999 Non-Employee Directors' Stock Option Plan. In July 1999, our board of directors adopted, subject to shareholder approval, the 1999 Non-Employee Directors' Stock Option Plan. The directors' plan provides for the automatic grant of options to purchase shares of common stock to non-employee directors of InterNAP. The directors' plan is administered by our compensation committee.

An aggregate of 500,000 shares of common stock may be issued pursuant to options granted under the directors' plan. The terms of the directors' plan provides that each of our directors who is not an employee of ours will be automatically granted an option to purchase 40,000 shares of common stock on the effective date of this offering. Each person who is elected or appointed for the first time to be a non-employee director after the effective date of this offering will be granted an initial grant upon election or appointment. In addition, on the day following each annual meeting of our shareholders, each non-employee director who has served as a non-employee director for at least six months and who continues to serve as a non-employee director of ours will be automatically granted an option to purchase 10,000 shares of common stock. Each option granted under the directors' plan will be fully vested on the date it is granted. No option granted under the directors' plan may be exercised more than ten years from the date on which it was granted. The exercise price of options under the directors' plan will equal the fair market value of the common stock on the date of grant. A non-employee director whose service as a non-employee director or employee of or consultant to us or any of our affiliates ceases for any reason other than death or permanent and total

disability may exercise vested options in the three-month period following the cessation unless the options terminate or expire sooner by their terms. Vested options may be exercised during the 12-month period after a non-employee director's service ceases due to disability and during the 18-month period after such service ceases due to death. The directors' plan will terminate in July 2009, unless terminated earlier by our board of directors.

Upon specific changes in control of InterNAP, all outstanding stock awards under the directors' plan may be assumed by the surviving entity or replaced with similar stock awards granted by the surviving entity.

401(k) Plan. We have established a tax-qualified employee savings and retirement plan, the 401(k) Plan, for eligible employees. Eligible employees may elect to defer a percentage of their pre-tax gross compensation in the 401(k) Plan, subject to the statutorily prescribed annual limit. We may make matching contributions on behalf of all participants in the 401(k) Plan in an amount determined by our board of directors. We may also make additional discretionary profit sharing contributions in such amounts as determined by the board of

directors, subject to statutory limitations. Matching and profit-sharing contributions are subject to a vesting schedule; all other contributions are at all times fully vested. We intend the 401(k) Plan, and the accompanying trust, to qualify under Sections 401(k) and 501 of the Internal Revenue Code so that contributions to the 401(k) Plan by our employees or by us, and income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan, and so that we will be able to deduct our contributions, when made. The trustee under the 401(k) Plan, at the direction of each participant, invests the assets of the 401(k) Plan in any of a number of investment options.

LIMITATIONS ON DIRECTORS' AND EXECUTIVE OFFICERS' LIABILITY AND INDEMNIFICATION

Our articles of incorporation limit the liability of directors to the fullest extent permitted by the Washington Business Corporation Act as it currently exists or as it may be amended in the future. Consequently, subject to the Washington Business Corporation Act, no director will be personally liable to us or our shareholders for monetary damages resulting from his or her conduct as a director of InterNAP, except liability for:

- acts or omissions involving intentional misconduct or knowing violations of law;
- unlawful distributions; or
- transactions from which the director personally receives a benefit in money, property or services to which the director is not legally entitled.

Upon the closing of this offering, our articles of incorporation will also provide that we may indemnify any individual made a party to a proceeding because that individual is or was a director or officer of ours, and this right to indemnification will continue as to an individual who has ceased to be a director or officer and will inure to the benefit of his or her heirs, executors or administrators. Any repeal of or modification to our articles of incorporation may not adversely affect any right of a director or officer of ours who is or was a director or officer at the time of such repeal or modification. To the extent the provisions of our articles of incorporation provide for indemnification of directors or officers for liabilities arising under the Securities Act of 1933, those provisions are, in the opinion or the Securities and Exchange Commission, against public policy as expressed in the Securities Act and they are therefore unenforceable.

Upon the closing of this offering, our bylaws will provide that we will indemnify our directors and officers and may indemnify our other officers and employees and other agents to the fullest extent permitted by law.

Upon the closing of this offering, we will enter into agreements to indemnify our directors and certain officers, in addition to indemnification provided for in our articles of incorporation or bylaws. These agreements, among other things, indemnify our directors and certain officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by us arising out of such person's services as our director or officer or any other company or enterprise to which the person provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and officers. We also currently maintain liability insurance for our officers and directors.

CHANGE OF CONTROL ARRANGEMENTS

Under the 1998 Stock Option/Stock Issuance Plan, if specific corporate transactions occur, including the sale of substantially all of our assets or a merger with or into another corporation, the plan administrator may, in its sole discretion,

- accelerate the vesting of outstanding options under the 1998 Plan,

- arrange for outstanding options to be assumed or substituted for similar options by a successor corporation,

- arrange for outstanding options to be replaced by a comparable cash incentive program of the successor corporation or

- take no action with respect to outstanding options, in which case the options will terminate upon the completion of the corporate transaction.

Under the 1999 Equity Incentive Plan, if a change in control occurs, including the sale of substantially all of our assets or a merger with or into another corporation, any outstanding options held by persons then performing services for us as an employee, director or consultant may,

- either be assumed or continued,

- an equivalent award may be substituted by the surviving entity, or,

- if the options are not assumed, continued or substituted, the options will become fully exercisable, including shares as to which they would not otherwise be exercisable, and restricted stock will become fully vested.

Options also become fully exercisable upon the occurrence of a securities acquisition representing 50% or more of the combined voting power of our securities, or if a participant's service is terminated by a surviving corporation for any reason other than "for cause" within 13 months following a change in control.

CERTAIN TRANSACTIONS

Since our inception in May 1996, we have issued and sold securities to the persons listed in the following table who are our executive officers, directors or principal shareholders. You may find more details about shares held by these purchasers in the "Principal Shareholders" section.

The per share purchase prices for our Series A, Series B and Series C preferred stock were $.102, $.60 and $1.08, respectively. Upon the closing of this offering, each outstanding share of our Series A, Series B and Series C preferred stock will convert into one share of common stock on a one-for-one basis. Warrants are exercisable for our Series B preferred stock at a per share exercise price of $.60.

INVESTOR	SERIES A PREFERRED STOCK	SERIES B PREFERRED STOCK	SERIES C PREFERRED STOCK	WARRANTS	COMMON STOCK
Anthony C. Naughtin	--	--	--	--	916,952
Paul E. McBride(1)	--	--	--	--	916,952
Christopher D. Wheeler	--	--	--	--	916,952
Robert D. Shurtleff, Jr.(2)	--	338,304	357,160	432,266	--
Robert J. Lunday, Jr.(3)	6,666,667	--	--	--	--
H&Q InterNAP Investors, L.P.(4)	--	1,685,000	1,866,958	--	--
Morgan Stanley Dean Witter Venture Partners(5)	--	--	9,259,259	--	--
Oak Investment Partners VIII, L.P.(6)	--	--	6,018,519	--	--
TI Ventures, LP(7)	--	1,666,667	1,759,556	--	--
Vulcan Ventures Incorporated(8)	--	2,500,000	2,236,071	--	--

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(1) Consists of 916,952 shares of common stock issued to Mr. McBride, of which 250,000 shares of common stock were subsequently transferred by Mr. McBride to the McBride Trust and 46,000 shares of common stock to other shareholders.

(2) Consists of 338,304 shares of Series B preferred stock issued to Mr. Shurtleff, of which 199,916 were subsequently transferred to other shareholders, warrants to purchase 432,266 shares of Series B preferred stock, of which Mr. Shurtleff subsequently exercised 116,666, and 357,160 shares of Series C preferred stock issued to Mr. Shurtleff.

(3) Consists of 6,666,667 shares of Series A preferred stock issued to Mr. Lunday, of which 844,280 were subsequently transferred to other shareholders.

(4) Mr. Eidenberg, one of our directors, is a principal of Hambrecht & Quist Venture Associates.

(5) Consists of 780,000 shares of Series C preferred stock held by Morgan Stanley Venture Investors III, L.P., 355,417 shares of Series C preferred stock held by The Morgan Stanley Venture Partners Entrepreneur Fund, L.P. and 8,123,842 shares of Series C preferred stock held by Morgan Stanley Venture Partners III, L.P. Dr. Harding, one of our directors, is a managing member of the general partner of the Morgan Stanley Dean Witter Venture Partners Funds. The institutional managing member of the general partner of each of the Morgan Stanley Dean Witter Venture Partners Funds is a wholly-owned subsidiary of Morgan Stanley Dean Witter & Co., the parent of Morgan Stanley & Co. Incorporated.

(6) Consists of 5,904,167 shares of Series C preferred stock held by Oak Investment Partners VIII, L.P. and 114,352 shares of Series C preferred stock held by Oak VIII Affiliates Fund, L.P. Mr. Harman, one of our directors, is a managing member of the general partner of venture capital funds affiliated with Oak Investment Partners.

(7) Consists of 1,666,667 shares of Series B preferred stock held by TI Ventures, LP, and 1,759,556 shares of Series C preferred stock issued to TI Ventures, LP of which 88,047 were subsequently transferred to other shareholders.

(8) Mr. Ober, one of our directors, is a member of the investment team of Vulcan

Ventures Incorporated.

In addition, we have granted options to certain of our executive officers. See "Management -- Executive Compensation."

Pursuant to a Limited Liability Company Agreement of InterNAP Network Services, L.L.C., in October 1996, we sold 1,787,180 Class A Units in InterNAP Network Services, L.L.C. to certain investors, including our officers Paul E. McBride, Christopher D. Wheeler and Anthony C. Naughtin, for an aggregate consideration of $1,787. InterNAP Network Services, L.L.C. was dissolved on October 27, 1997. InterNAP was incorporated in the State of Washington in October 1997. These Class A Units were exchanged for shares of common stock at an exchange of 1 to 1.667.

In May 1996, we issued 2,000,000 Class B Units in InterNAP Network Services, L.L.C. to Robert J. Lunday, Jr., in consideration for arranging a guarantee of certain of our leasehold obligations and an unconditional promise to contribute $500,000 to our capital on or before October 15, 1996. Additionally, Lunday Communications loaned us $475,000 in 1996 and we repaid the principal and interest during 1996. Robert J. Lunday, Jr., one of our directors, is president of Lunday Communications, Inc. Further, in May 1996, Mr. Lunday purchased an additional 2,000,000 Class B Units for $500,000. These Class B Units were exchanged for shares of Series A preferred stock at an exchange ratio of 1 to 1:667.

Pursuant to a shareholders agreement, dated October 1, 1997, among InterNAP, Robert J. Lunday, Jr., and some of our founders, including Anthony C. Naughtin, Paul E. McBride and Christopher D. Wheeler, Mr. Lunday granted to each founder an option to purchase, under conditions set out in the shareholder agreement, his or her pro rata share (as that term is defined in the shareholder agreement) of 5,000,000 of the 6,666,667 shares of Series A preferred stock, or common stock upon conversion, owned by Mr. Lunday at the date of the shareholder agreement at a price of $1.26 per share. Mr. Lunday, one of our directors, is father-in-law of Mr. McBride, our Chief Financial Officer and Vice President of Finance.

In an assignment agreement, dated October 3, 1997, between InterNAP, Ophir Ronen and Christopher D. Wheeler, our Chief Technology Officer, Mr. Wheeler and Mr. Ronen assigned all of their right, title and interest in and to that certain application for Letters Patent of the United States entitled Private Network Access Point Router for Interconnecting Among Internet Route Providers.

On October 29, 1997, December 29, 1997 and February 4, 1998, we sold an aggregate of 12,862,558 shares of Series B preferred stock to 36 investors, including H&Q InterNAP Investors, L.P., TI Ventures, LP and Vulcan Ventures Incorporated, three of our principal shareholders, at an aggregate purchase price of $7,717,534 or $.60 per share. The investor group included Robert D. Shurtleff, Jr., one of our directors, who converted a promissory note dated February 13, 1997 in the amount of $125,000 plus accrued interest for 221,638 shares of Series B preferred stock.

On January 11, 1999, Lunday Communications, Inc. loaned $500,000 to us, represented by a promissory note that bore interest at the rate of prime plus 2% and had a maturity date of February 15, 1999. We repaid the outstanding principal and accrued interest on the loan in February 1999 from the proceeds of the Series C financing.

On January 13, 1999, Robert D. Shurtleff, Jr., one our directors, loaned $600,000 to us, represented by a promissory note that bore interest at the rate of prime plus 2% and had a maturity

date of February 15, 1999. We repaid the outstanding principal and accrued interest on the loan in February 1999 from the proceeds of the Series C financing.

On January 28, 1999 and February 26, 1999, we sold an aggregate of 29,629,630 shares of Series C preferred stock to 44 investors, including Robert D. Shurtleff, Jr., one of our directors, and H&Q InterNAP Investors, L.P., Morgan Stanley Dean Witter Venture Partners, Oak Investment Partners VIII, L.P., TI Ventures, LP and Vulcan Ventures Incorporated, five of our principal

shareholders, at an aggregate purchase price of $32,000,000, or $1.08 per share.

We have entered into employment letter agreements with several of our key employees, including Anthony C. Naughtin, Paul E. McBride, Charles M. Ortega and Christopher D. Wheeler. These agreements are described in "Management-Employment Agreements."

We plan to enter into indemnification agreements with our directors and executive officers for the indemnification of and advancement of expenses to such persons to the fullest extent permitted by law. We also intend to enter into these agreements with our future directors and executive officers.

On August 31, 1999, we entered into a standby loan facility commitment letter with 7 shareholders, including a director of ours who will also act as the administrative agent for the proposed facility. Upon completion of a definitive agreement, the facility will allow us to draw up to $10,000,000 prior to December 31, 1999. The facility will bear interest at prime plus 2% with principal and interest due on the earlier of six months from the first draw or a public or private sale of stock. Additionally, upon completion of the definitive agreement, we will issue warrants to purchase 100,000 shares of common stock with an exercise price equal to our initial public offering share price or at a price determined in a private sale of our stock. Further, at our option, the facility can be extended for an additional six month term in consideration for the issuance of warrants to purchase an additional 100,000 shares of our common stock.

We believe that the foregoing transactions were in our best interest and were made on terms no less favorable to us than could have been obtained from unaffiliated third parties. All future transactions between us and any of our officers, directors or principal shareholders will be approved by a majority of the independent and disinterested members of the board of directors, will be on terms no less favorable to us than could be obtained from unaffiliated third parties and will be in connection with our bona fide business purposes.

PRINCIPAL SHAREHOLDERS

The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of August 31, 1999 and as adjusted to reflect our sale of shares for:

- each person who we know to own beneficially more than five percent of the common stock,
- each of our directors,
- certain of our executive officers, and
- all directors and executive officers as a group.

Except as indicated, and subject to community property laws where applicable, the persons named have sole voting and investment power with respect to all shares shown as beneficially owned by them. Percentage of beneficial ownership is based on 53,619,663 shares of common stock outstanding on an as-converted basis as of August 31, 1999. This assumes no exercise of the underwriters' over-allotment option. If the underwriters' over-allotment option is exercised in full, we will sell up to an aggregate of 10,005,000 shares of common stock and up to 63,624,663 shares of common stock will be outstanding after the completion of this offering.

The number of shares beneficially owned by each shareholder is determined under rules promulgated by the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power and any shares as to which the individual or entity has the right to acquire beneficial ownership within 60 days after August 31, 1999 through the exercise of any stock option or other right. The inclusion in this table of these shares, however, does not constitute an admission that the named shareholder is a direct or indirect beneficial owner of, or receives the economic benefit from these shares.

Unless otherwise indicated in the table set forth below, each person or entity named below has an address in care of our principal executive offices.

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		PRIOR TO OFFERING	AFTER OFFERING
Morgan Stanley Dean Witter Venture Partners(1) c/o Morgan Stanley Dean Witter Venture Partners 1221 Avenue of the Americas New York, NY, 10020	9,259,259	17.3%	14.9%
William J. Harding(1)	9,259,259	17.3	14.9
H&Q InterNAP Investors, L.P.(2) c/o Hambrecht & Quist LLC One Bush Street San Francisco, CA 94104	7,090,134	13.2	11.3
TI Ventures, LP(2) c/o Hambrecht & Quist LLC One Bush Street San Francisco, CA 94104	7,090,134	13.2	11.3
Eugene Eidenberg(2)	7,090,134	13.2	11.3

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		PRIOR TO OFFERING	AFTER OFFERING
Oak Investment Partners VIII, L.P.(3) 535 University Avenue, Suite 1300 Palo Alto, CA, 94301	5,958,334	11.1%	9.6%
Fredric W. Harman(3)	5,958,334	11.1	9.6
Robert J. Lunday, Jr.(4)	5,822,387	10.9	9.3
Vulcan Ventures Incorporated(5) 110 100th Avenue Northwest, Suite 550 Bellevue, WA, 98004	4,936,071	9.2	7.9
Kevin L. Ober(5)	4,936,071	9.2	7.9
Fidelity Investors II Limited Partnership(6) 82 Devonshire Street, R25D Boston, MA, 02110-2106	2,777,778	5.2	4.5
FTT Ventures Limited(6) 82 Devonshire Street, R25D Boston, MA, 02110-2106	2,777,778	5.2	4.5
Paul E. McBride(7)	2,689,804	4.9	4.3
Anthony C. Naughtin(8)	2,292,380	4.2	3.7
Christopher D. Wheeler(9)	2,292,380	4.2	3.7

Robert D. Shurtleff, Jr.(10)	894,398	1.7	1.4
Charles M. Ortega(11)	135,000	*	*
All directors and executive officers as a group (10 persons)(12)	37,243,863	69.0	59.8

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* Represents beneficial ownership of less than 1%.

(1) Consists of 780,000 shares held by Morgan Stanley Venture Investors III, L.P., 355,417 shares held by The Morgan Stanley Venture Partners Entrepreneur Fund, L.P. and 8,123,842 shares held by Morgan Stanley Venture Partners III, L.P. The institutional managing member of the general partner of Morgan Stanley Dean Witter Venture Partners is a wholly-owned subsidiary of Morgan Stanley Dean Witter & Co., the parent of Morgan Stanley & Co. Incorporated. Dr. William J. Harding, one of our directors, is a managing member of the general partner of Morgan Stanley Dean Witter Venture Partners. Dr. Harding disclaims beneficial ownership of the shares held by Morgan Stanley Dean Witter Venture Partners, except to the extent of his proportionate interest therein.

(2) Consists of 3,551,958 shares held by H&Q InterNAP Investors, L.P., 3,338,176 shares held by TI Ventures, LP, 91,666 shares issuable upon exercise of vested options that are held by Mr. Eugene Eidenberg and 108,334 shares issuable upon exercise of options held by Mr. Eidenberg that are exercisable within 60 days of August 31, 1999 but subject to repurchase by InterNAP under terms set forth in a notice of grant of stock option. Mr. Eidenberg, the chairman of our board of directors, is a Principal of Hambrecht and Quist Venture Associates. Mr. Eidenberg disclaims beneficial ownership of the shares held by H&Q InterNAP Investors, L.P. and TI Ventures, LP.

(3) Consists of 5,845,126 shares held by Oak Investment Partners VIII, L.P. and 113,208 shares held by Oak VIII Affiliates Fund L.P. Mr. Fredric W. Harman, one of our directors, is a managing member of the general partners of venture capital funds affiliated with Oak Investment Partners. Mr. Harman disclaims beneficial ownership of the shares held by Oak Investment Partners VIII, L.P. and Oak VIII Affiliates Fund L.P.

(4) Includes 5,000,000 shares subject to an option under a Shareholders Agreement dated October 1, 1997, in favor of original Class A Members of InterNAP Network Services, L.L.C., including Paul E. McBride, Anthony C. Naughtin and Christopher D. Wheeler.

(5) Consists of 4,736,071 shares held by Vulcan Ventures Incorporated, 91,666 shares held by Mr. Kevin L. Ober and 108,334 shares held by Mr. Ober that are subject to repurchase by InterNAP under terms set forth in a notice of grant of stock option. Mr. Ober, one of our directors, is a member of the investment team of Vulcan Ventures Incorporated. Mr. Ober disclaims beneficial ownership in the shares held by Vulcan Ventures Incorporated.

(6) Consists of 1,388,889 shares owned by Fidelity Investors II Limited Partnership and 1,388,889 shares owned by FTT Ventures Limited, an affiliate of Fidelity Investors II Limited Partnership.

(7) Includes 250,000 shares held by the McBride Trust, 110,856 shares held by Mr. McBride FBO Emily A. McBride UTMA, 110,856 shares held by Mr. McBride FBO Seth L. McBride UTMA, 110,856 shares held by Mr. McBride's wife in her own name, and 1,375,428 shares that may be purchased from Mr. Robert J. Lunday, Jr. upon exercise of an outstanding option under a Shareholder Agreement, dated October 1, 1997. Mr. Lunday is Mr. McBride's father-in-law.

(8) Includes 1,375,428 shares that may be purchased from Mr. Robert J. Lunday, Jr. upon exercise of an outstanding option under a Shareholder Agreement,

dated October 1, 1997.

(9) Includes 1,375,428 shares that may be purchased from Mr. Robert J. Lunday, Jr. upon exercise of an outstanding option under a Shareholder Agreement, dated October 1, 1997.

(10) Includes 315,600 shares issuable upon exercise of warrants exercisable within 60 days of August 31, 1999.

(11) Includes 30,000 shares issuable upon exercise of options exercisable within 60 days of August 31, 1999.

(12) Includes 545,600 shares subject to options and warrants which are exercisable within 60 days of August 31, 1999.

DESCRIPTION OF CAPITAL STOCK

Effective upon the closing of this offering, the authorized capital stock consists of 500,000,000 shares of common stock, $.001 par value, and 10,000,000 shares of preferred stock, $.001 par value. The following description of our capital stock does not purport to be complete and is subject to and qualified in its entirety by our amended and restated articles of incorporation and bylaws and by the applicable provisions of Washington law.

COMMON STOCK

As of June 30, 1999, there were 53,501,228 shares of common stock outstanding, after giving effect to the conversion of all outstanding shares of preferred stock into 49,469,479 shares of common stock.

The holders of common stock are entitled to one vote per share on all matters to be voted on by the shareholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no preemptive, conversion, subscription or other rights. There are no redemption or sinking fund provisions applicable to the common stock.

PREFERRED STOCK

Upon the closing of this offering, all outstanding shares of preferred stock will be converted at a rate of one share of common stock for each share of preferred stock into an aggregate of 49,469,479 shares of common stock. Following the conversion, our articles of incorporation will be amended and restated to delete all references to such shares of preferred stock. Under the amended and restated articles of incorporation, the board has the authority, without further action by shareholders, to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges, qualifications and restrictions granted to or imposed upon such preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, liquidation preference and sinking fund terms, any or all of which may be greater than the rights of the common stock. The issuance of preferred stock could adversely affect the voting power of holders of common stock and reduce the likelihood that such holders will receive dividend payments and payments upon liquidation. Such issuance could have the effect of decreasing the market price of the common stock. The issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control. We have no present plans to issue any shares of preferred stock.

WARRANTS

As of June 30, 1999, warrants to purchase an aggregate of 600,136 shares of Series B preferred stock were outstanding at an exercise price of $.60 per share. Each warrant contains provisions for the adjustment of the exercise price and the aggregate number of shares issuable upon the exercise of the warrant in the event of stock dividends, stock splits, reorganizations and reclassifications and consolidations. Upon the closing of this offering, all warrants to purchase Series B preferred stock will become exercisable for common stock at the rate of one share of common stock for each share of preferred stock underlying the warrants.

REGISTRATION RIGHTS

After this offering, the holders of 52,965,499 shares of common stock, including shares issuable upon exercise of warrants, or their permitted transferees, are entitled to certain rights with respect to the registration of such shares under the Securities Act. If we propose to register any of our securities under the Securities Act for our own account or the account of any of our shareholders other than the holders of the registrable shares, holders of the registrable shares are entitled, subject to certain limitations and conditions, to notice of this registration and are, subject to certain conditions and limitations, entitled to include registrable shares in the registration, provided, among other conditions, that the underwriters of any such offering have the right to limit the number of shares included in the registration. In addition, commencing 180 days after the effective date of the registration statement of which this prospectus is a part, we may be required to prepare and file a registration statement under the Securities Act at our expense if requested to do so by the holders of at least 21,186,199 of the registrable shares, provided the reasonably expected aggregate offering price will equal or exceed $5,000,000. We are required to use our best efforts to effect such registration, subject to certain conditions and limitations. We are not obligated to effect more than two of these shareholder-initiated registrations. Further, holders of registrable securities may require us to file additional registration statements on Form S-3, subject to certain conditions and limitations.

We are required to bear substantially all costs incurred in connection with any of the registrations described above, other than underwriting discounts and commissions. The registration rights described above could result in substantial future expenses and adversely affect any future equity or debt offerings.

ANTI-TAKEOVER EFFECTS OF CERTAIN PROVISIONS OF AMENDED AND RESTATED ARTICLES OF INCORPORATION, BYLAWS, AS AMENDED, AND WASHINGTON LAW

Our board of directors, without shareholder approval, will have upon the closing of this offering authority under our amended and restated articles of incorporation to issue preferred stock with rights superior to the rights of the holders of common stock. As a result, our board could issue preferred stock quickly and easily, which could adversely affect the rights of holders of common stock and which our board could issue with terms calculated to delay or prevent a change in control or make removal of management more difficult.

Election and Removal of Directors. Effective upon the closing of this offering, our articles of incorporation will provide for the division of our board of directors into three classes, as nearly as equal in number as possible, with the directors in each class serving for a three-year term, and one class being elected each year by our shareholders. The Class I term will expire at the annual meeting of shareholders to be held in 2000; the Class II term will expire at the annual meeting of shareholders to be held in 2001; and the Class III term will expire at the annual meeting of shareholders to be held in 2002. At each annual meeting of shareholders after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Because this system of electing and removing directors generally makes it more difficult for shareholders to replace a majority of the board of directors, it may discourage a third party from making a tender offer or otherwise attempting

to gain control and may maintain the incumbency of the board of directors.

Shareholder Meetings. Upon the closing of this offering our bylaws, as amended, will provide that, except as otherwise required by law or by our amended and restated articles of incorporation, special meetings of the shareholders can only be called pursuant to a resolution adopted by our board of directors, the chairman of the board or president. These provisions of our amended and restated articles of incorporation and bylaws, as amended, could discourage potential acquisition proposals and

could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

Washington law also imposes restrictions on certain transactions between a corporation and certain significant shareholders. Chapter 23B.19.040 of the Washington Business Corporation Act prohibits a "target corporation," with certain exceptions, from engaging in certain significant business transactions with an "acquiring person," which is defined as a person or group of persons that beneficially owns 10% or more of the voting securities of the target corporation, for a period of five years after such acquisition, unless the transaction or acquisition of shares is approved by a majority of the members of the target corporation's board of directors prior to the time of acquisition. Such prohibited transactions include, among other things:

- a merger or consolidation with, disposition of assets to, or issuance or redemption of stock to or from, the acquiring person;

- termination of 5% or more of the employees of the target corporation as a result of the acquiring person's acquisition of 10% or more of the shares; or

- allowing the acquiring person to receive any disproportionate benefits as a shareholder.

After the five-year period, a "significant business transaction" may occur, as long as it complies with certain "fair price" provisions of the statute. A corporation may not "opt out" of this statute. This provision may have the effect of delaying, deferring or preventing a change in control.

TRANSFER AGENT

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our common stock. Future sales of substantial amounts of common stock in the public market could adversely affect the market price of the common stock.

Upon completion of this offering, we will have outstanding 62,319,663 shares of common stock, assuming the issuance of 8,700,000 shares of common stock offered in this prospectus, conversion of all shares of preferred stock and no exercise of options or warrants after August 31, 1999. Of these shares, the blank shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act; provided, however,

that if shares are purchased by "affiliates," as that term is defined in Rule 144 under the Securities Act, their sales of shares would be subject to certain limitations and restrictions that are described below.

We issued and sold the remaining 53,619,663 shares of common stock, assuming conversion of all shares of preferred stock, held by existing shareholders as of August 31, 1999 in reliance on exemptions from the registration requirements of the Securities Act. Of these shares, 53,008,758 shares will be subject to lock-up agreements described below on the effective date of the offering. Upon expiration of the lock-up agreements, 180 days after the effective date of the prospectus, 23,579,557 shares will become eligible for sale, subject in most cases to the limitations of Rule 144.

DAYS AFTER DATE OF THIS PROSPECTUS	SHARES ELIGIBLE FOR SALE	COMMENT
Upon effectiveness.....	8,700,000	Shares sold in the offering
90 days.....	410,476	Shares saleable under Rule 144 that are not subject to the lock-up
180 days.....	23,579,557	Lock-up released: shares saleable under Rules 144 and 701

In addition, holders of stock options and warrants could exercise their options and warrants and sell the shares issued upon exercise as described below. As of August 31, 1999 there were a total of 596,874 shares of common stock that could be issued upon exercise of outstanding warrants. 596,091 of these shares are subject to lock-up agreements. As of August 31, 1999, there were a total of 6,748,549 shares of common stock subject to outstanding options under our stock plans, 358,399 of which were vested. However, all of these shares are subject to lock-up agreements. Immediately after the completion of the offering, we intend to file registration statements on Form S-8 under the Securities Act to register all of the shares of common stock issued or reserved for future issuance under our stock plans. On the date 180 days after the effective date of this prospectus, a total of 1,371,097 shares of common stock subject to outstanding options are exercisable. After the effective dates of the registration statements on Form S-8, shares purchased upon exercise of options granted pursuant to our 1998 Stock Option/Stock Issuance Plan generally would be available for resale in the public market.

The officers, directors and certain of our shareholders have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this prospectus. Morgan Stanley & Co. Incorporated, however, may in its sole discretion, at any time and in most cases without notice, release all or any portion of the shares subject to lock-up agreements.

RULE 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 623,197 shares immediately after the effective date of this offering; or

- the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a

notice on Form 144 with respect to such sale.

Sales under Rule 144 are also subject to other requirements regarding the manner of sale, notice filing and the availability of current public information about us.

RULE 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchase shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of the offering is entitled to resell such shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with certain restrictions, including the holding period, contained in Rule 144.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the shares acquired upon exercise of these options (including exercises after the date of this prospectus). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than affiliates subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with its one year minimum holding period requirement.

REGISTRATION RIGHTS

In addition, following this offering, the holders of 52,809,408 shares of common stock and of warrants exercisable for 156,091 shares of common stock will, under certain circumstances, have rights to require us to register their shares for future sale.

LOCK-UP AGREEMENTS

All officers and directors and certain holders of common stock or securities convertible for common stock and options and warrants to purchase common stock have agreed pursuant to certain "lock-up" agreements that they will not offer, sell, contract to sell, pledge, grant any option to sell, or otherwise dispose of, directly or indirectly, any shares of common stock or securities convertible or exchangeable for common stock, or warrants or other rights to purchase common stock for a period of 180 days after the date of this prospectus without the prior written consent of Morgan Stanley & Co. Incorporated.

UNDERWRITERS

Under the terms and subject to the conditions contained in the underwriting agreement, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, Credit Suisse First Boston Corporation, Donaldson, Lufkin & Jenrette Securities Corporation, and Hambrecht & Quist L.L.C. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, an aggregate of 8,700,000 shares of common stock. The number of shares of common stock that each underwriter has agreed to purchase is set forth opposite its name below:

NAME	NUMBER OF SHARES
Morgan Stanley & Co. Incorporated.....	

Credit Suisse First Boston Corporation.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Hambrecht & Quist LLC.....	
Total.....	

The underwriters are offering the shares subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any shares are taken. However, the underwriters are not required to take or pay for the share covered by the underwriters over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. Any underwriters may allow, and such dealers may reallow, a concession not in excess of $ a share to other underwriters or to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

Pursuant to the underwriting agreement, we have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 1,305,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise such option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares of common stock as the number listed next to such underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table. If the underwriter's over-allotment option is exercised in full, the total price to the public would be $140,070,000, the total underwriters' discounts and commissions would be $9,804,900 and the total proceeds to us would be $129,165,100.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by them.

We have applied for approval of our common stock for quotation on the Nasdaq National Market under the symbol "INAP."

We, the directors, officers, shareholders and certain optionholders of ours have each agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, we will not, during the period commencing on the date of this prospectus and ending 180 days after such date, directly or indirectly:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of common stock.

Any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The restrictions described in the previous paragraph do not apply to:

- the sale to the underwriters of the shares of common stock under the underwriting agreement;
- the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus which is described in this prospectus;
- transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares; or
- issuances of certain shares of common stock or options to purchase shares of common stock pursuant to our employee benefit plans as in existence on the date of this prospectus.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the common stock for their own account. In addition, to cover over-allotments or to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering if the syndicate repurchases previously distributed shares of common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time. Upon consummation of this offering, affiliates of Morgan Stanley & Co. Incorporated will own 14.9% of the common stock on an as-converted basis (14.6% if the over-allotment option granted to the underwriters is exercised in full). Currently, affiliates of Morgan Stanley & Co. Incorporated have designated one member to the board of directors (Dr. Harding). Dr. Harding is a principal and employee of Morgan Stanley & Co. Incorporated. See "Management." Morgan Stanley & Co. Incorporated may continue to provide investment banking and financial advisory services to us for which it may receive customary fees and commissions.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

PRICING OF THE OFFERING

Prior to this offering, there has been no public market for the common stock. The public offering price for the shares of common stock will be determined by negotiations between us and the representatives of the underwriters. Among the factors to be considered in determining the public offering price will be our record of operations, our current financial position and future prospects and our industry in general, the experience of our management, sales, earnings and certain of our other financial and operating information in recent periods, the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to ours. The estimated public offering price range set forth on the cover page of this prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The legality of the shares of common stock offered hereby will be passed upon for us by Cooley Godward LLP, Kirkland, Washington. An investment partnership of Cooley Godward attorneys beneficially owns an aggregate 46,296 shares of our common stock. Certain legal matters will be passed upon for the underwriters by Morrison & Foerster LLP, Palo Alto, California.

EXPERTS

The financial statements of InterNAP Network Services Corporation as of December 31, 1997 and 1998 and for the period from inception (May 1, 1996) to December 31, 1996 and for the years ended December 31, 1997 and 1998, included in this prospectus, have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the common stock offered by this prospectus. As permitted by the rules and regulations of the SEC, this prospectus, which is a part of the registration statement, omits certain information, exhibits, schedules and undertakings included in the registration statement. For further information pertaining to us and the common stock offered by this prospectus, reference is made to the registration statement and its exhibits and schedules. Statements contained in this prospectus regarding the contents or provisions of any contract or other document referred to in this prospectus are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, with each statement being qualified in all respects by the reference to a document or contract. A copy of the registration statement may be inspected without charge at the office of the SEC at 450 Fifth Street, NW, Washington, D.C. 20549, and at the SEC's regional offices located at the Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of all or any part of the registration statement may be obtained from these offices upon the payment of the fees prescribed by the SEC. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1 800-SEC-0330. In addition, registration statements and other filings made with the SEC through its Electronic Data Gathering, Analysis and Retrieval, or EDGAR, system are publicly available through the SEC's Web site on the Internet's World Wide Web, located at http://www.sec.gov. The registration statement, including all exhibits and amendments to the registration statement, was filed with the SEC through EDGAR.

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INTERNAP NETWORK SERVICES CORPORATION

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
InterNAP Network Services Corporation

In our opinion, the accompanying balance sheet and the related statements

of operations, of shareholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of InterNAP Network Services Corporation at December 31, 1997 and 1998, and the results of its operations and its cash flows for the period from inception (May 1, 1996) to December 31, 1996 and for the years ended December 31, 1997 and 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Seattle, Washington
April 2, 1999

INTERNAP NETWORK SERVICES CORPORATION

BALANCE SHEET
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	DECEMBER 31,		JUNE 30,	PRO FORMA SHAREHOLDERS' EQUITY AT JUNE 30,
	1997	1998	1999	1999
			(UNAUDITED)	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 4,770	$ 275	$ 3,301	
Short-term investments	--	--	9,995	
Accounts receivable, net of allowance of $27, $65, and $78, respectively	228	766	1,577	
Prepaid expenses and other assets	8	280	197	
Total current assets	5,006	1,321	15,070	
Property and equipment, net	867	5,828	13,665	
Restricted cash	--	--	1,019	
Patents and trademarks, net	48	48	79	
Deposits and other assets, net	66	290	997	
Total assets	$ 5,987	$ 7,487	$ 30,830	
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 345	$ 2,603	$ 2,638	
Accrued liabilities	94	713	737	
Deferred revenues	84	284	23	
Note payable	34	--	--	
Line of credit	--	650	625	
Capital lease obligations, current portion	361	1,331	2,757	
Total current liabilities	918	5,581	6,780	
Capital lease obligations, less current portion	240	2,342	6,776	
Total liabilities	1,158	7,923	13,556	
Commitments and contingencies				
Shareholders' equity (deficit):				
Convertible preferred stock, $.001 par value, authorized 50,070 shares; 17,195, 19,645, 49,469 and no pro forma shares issued and outstanding, respectively;				

aggregate liquidation preference of $6,998, $8,466 and $40,584, respectively	18	20	50	$ --
Common stock, $.001 par value, authorized 300,000 shares; 3,333, 3,336, 4,032, and 53,501 (pro forma) shares issued and outstanding, respectively	3	3	4	54
Additional paid-in capital	7,376	9,576	57,023	57,023
Deferred stock compensation	--	(494)	(14,113)	(14,113)
Accumulated deficit	(2,568)	(9,541)	(25,690)	(25,690)
Total shareholders' equity (deficit)	4,829	(436)	17,274	$ 17,274
Total liabilities and shareholders' equity (deficit)	$ 5,987	$ 7,487	$ 30,830	

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

INTERNAP NETWORK SERVICES CORPORATION

STATEMENT OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PERIOD FROM INCEPTION (MAY 1, 1996) TO DECEMBER 31, 1996	YEARS ENDED DECEMBER 31, 1997	YEARS ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
				(UNAUDITED)	
Revenues	$ 44	$ 1,045	$ 1,957	$ 731	$ 3,410
Costs and expenses:					
Cost of network and customer support	321	1,092	3,216	994	7,906
Product development	184	389	754	318	1,395
Sales and marketing	78	261	2,822	352	5,869
General and administrative	378	713	1,910	594	2,905
Amortization of deferred stock compensation	--	--	205	19	1,787
Total operating costs and expenses	961	2,455	8,907	2,277	19,862
Loss from operations	(917)	(1,410)	(6,950)	(1,546)	(16,452)
Other income (expense):					
Interest income	6	36	169	121	450
Interest and financing expense	(48)	(235)	(90)	(36)	(147)
Loss on disposal of assets	--	--	(102)	--	--
Net loss	$ (959)	$(1,609)	$(6,973)	$(1,461)	$(16,149)
Basic and diluted net loss per share	$ (.29)	$ (.48)	$ (2.09)	$ (.44)	$ (4.78)
Weighted average shares used in computing basic and diluted net loss per share	3,333	3,333	3,336	3,336	3,378
Pro forma basic and diluted net loss per share (unaudited)			$ (.31)		$ (.34)
Weighted average shares used in computing pro forma basic and diluted net loss per share (unaudited)			22,733		47,771

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

INTERNAP NETWORK SERVICES CORPORATION

STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)
FROM INCEPTION (MAY 1, 1996) TO JUNE 30, 1999
(IN THOUSANDS)

	CLASS A AND B UNIT		CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL	DEFERRED	
	UNITS	PAR VALUE	SHARES	PAR VALUE	SHARES	PAR VALUE	PAID-IN CAPITAL	STOCK COMPENSATION	ACCUMULATED DEFICIT
Issuance of Class A Units...	2,000	$ 2	--	$--	--	$--	$ --	$ --	$ --
Issuance of Class B Units...	4,000	4	--	--	--	--	996	--	--
Net loss.....	--	--	--	--	--	--	--	--	(959)
Balances, December 31, 1996.....	6,000	6	--	--	--	--	996	--	(959)
Exchange of Class A Units for common stock at an exchange ratio of 1:1.667.....	(2,000)	(2)	--	--	3,333	3	(1)	--	--
Exchange of Class B Units for Series A preferred stock at an exchange ratio of 1:1.667.....	(4,000)	(4)	6,667	7	--	--	(3)	--	--
Convertible notes payable and accrued interest converted to Series B preferred stock.....	--	--	927	1	--	--	556	--	--
Value ascribed to bridge financing warrants.....	--	--	--	--	--	--	124	--	--
Issuance of Series B preferred stock, net of issuance costs of $47.....	--	--	9,601	10	--	--	5,704	--	--
Net loss.....	--	--	--	--	--	--	--	--	(1,609)
Balances, December 31, 1997.....	--	--	17,195	18	3,333	3	7,376	--	(2,568)
Issuance of Series B preferred stock, net of issuance costs of $21.....	--	--	2,333	2	--	--	1,376	--	--
Issuance of common stock to an employee.....	--	--	--	--	3	--	1	--	--
Value ascribed to lease financing warrants.....	--	--	--	--	--	--	54	--	--
Exercise of warrants to purchase Series B preferred stock.....	--	--	117	--	--	--	70	--	--
Deferred compensation related to grants of stock options.....	--	--	--	--	--	--	699	(699)	--
Amortization of deferred stock compensation.....	--	--	--	--	--	--	--	205	--
Net loss.....	--	--	--	--	--	--	--	--	(6,973)
Balances, December 31, 1998.....	--	--	19,645	20	3,336	3	9,576	(494)	(9,541)
Issuances of Series C preferred stock, net of issuance costs of $85.....	--	--	29,630	30	--	--	31,884	--	--
Exercise of warrants to purchase Series B preferred stock.....	--	--	194	--	--	--	116	--	--
Exercise of employee stock options.....	--	--	--	--	696	1	41	--	--
Deferred compensation related to grants of stock options.....	--	--	--	--	--	--	15,406	(15,406)	--
Amortization of deferred stock compensation.....	--	--	--	--	--	--	--	1,787	--
Net loss.....	--	--	--	--	--	--	--	--	(16,149)
Balances, June 30, 1999 (unaudited).....	--	$--	49,469	$50	4,032	$ 4	$57,023	$(14,113)	$(25,690)

	TOTAL
Issuance of Class A Units...	$ 2
Issuance of Class B Units...	1,000
Net loss.....	(959)
Balances, December 31, 1996.....	43
Exchange of Class A Units for common stock at an exchange ratio of 1:1.667.....	--
Exchange of Class B Units for Series A preferred stock at an exchange ratio	

of 1:1.667	--
Convertible notes payable and accrued interest converted to Series B preferred stock	557
Value ascribed to bridge financing warrants	124
Issuance of Series B preferred stock, net of issuance costs of $47	5,714
Net loss	(1,609)
Balances, December 31, 1997	4,829
Issuance of Series B preferred stock, net of issuance costs of $21	1,378
Issuance of common stock to an employee	1
Value ascribed to lease financing warrants	54
Exercise of warrants to purchase Series B preferred stock	70
Deferred compensation related to grants of stock options	--
Amortization of deferred stock compensation	205
Net loss	(6,973)
Balances, December 31, 1998	(436)
Issuances of Series C preferred stock, net of issuance costs of $85	31,914
Exercise of warrants to purchase Series B preferred stock	116
Exercise of employee stock options	42
Deferred compensation related to grants of stock options	--
Amortization of deferred stock compensation	1,787
Net loss	(16,149)
Balances, June 30, 1999 (unaudited)	$ 17,274

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

INTERNAP NETWORK SERVICES CORPORATION

STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	PERIOD FROM INCEPTION (MAY 1, 1996) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1998 (UNAUDITED)	SIX MONTHS ENDED JUNE 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss	$ (959)	$(1,609)	$(6,973)	$(1,461)	$(16,149)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization	103	297	725	247	1,305
Loss on disposal of assets	--	--	102	--	--
Non-cash interest and financing expense	--	146	7	2	9
Provision for doubtful accounts	--	27	140	92	58
Amortization of deferred stock compensation	--	--	205	19	1,787
Changes in operating assets and liabilities:					
Accounts receivable	(31)	(224)	(678)	(135)	(869)
Prepaid expenses and other assets	(113)	38	(391)	(117)	(580)
Accounts payable	264	82	721	(75)	1,370
Deferred revenues	--	84	200	(75)	(261)
Accrued liabilities	57	37	619	57	24
Net cash used in operating activities	(679)	(1,122)	(5,323)	(1,446)	(13,306)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(174)	(93)	(641)	(343)	(4,221)

Deposits on property and equipment	--	--	(58)	--	--
Purchase of short-term investments	--	--	--	--	(9,995)
Payments for patents and trademarks	--	(48)	(3)	--	(33)
Net cash used in investing activities	(174)	(141)	(702)	(343)	(14,249)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from shareholder loan and line of credit	475	180	--	--	1,100
Repayment of shareholder loan and line of credit	(475)	(180)	--	--	(1,100)
Issuance of notes payable	69	--	--	--	--
Proceeds from issuance of Class A and B Units	1,002	--	--	--	--
Principal payments on note payable	--	(34)	(34)	--	--
Net increase (decrease) in line of credit	--	--	650	250	(25)
Payments on capital lease obligations	(73)	(327)	(534)	(187)	(875)
Proceeds from equipment leaseback financing	--	--	--	--	428
Restricted cash related to obtaining lease line	--	--	--	--	(1,019)
Proceeds from exercise of stock options	--	--	--	--	42
Proceeds from issuance of convertible notes payable	--	660	--	--	--
Principal payments on convertible note payable	--	(125)	--	--	--
Proceeds from issuance of preferred stock, net of issuance cost	--	5,714	1,448	1,378	32,030
Net cash provided by financing activities	998	5,888	1,530	1,441	30,581
Net increase (decrease) in cash and cash equivalents	145	4,625	(4,495)	(348)	3,026
Cash and cash equivalents at beginning of period	--	145	4,770	4,770	275
Cash and cash equivalents at end of period	$ 145	$ 4,770	$ 275	$ 4,422	$ 3,301
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for interest, net of amounts capitalized	$ 48	$ 103	$ 82	$ 34	$ 138
Purchase of property and equipment financed with capital leases	$ 740	$ 260	$ 3,606	$ --	$ 6,307
Purchase of property and equipment included in accounts payable	$ --	$ --	$ 1,537	$ --	$ 202
Conversion of convertible notes to Series B preferred stock	$ --	$ 535	$ --	$ --	$ --
Value ascribed to warrants	$ --	$ 124	$ 54	$ 14	$ --

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

INTERNAP NETWORK SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES:

THE COMPANY

InterNAP Network Services Corporation (the "Company") was originally incorporated in the State of Washington as a limited liability company ("LLC") in May 1996. The Company was re-incorporated in the State of Washington in October 1997 as a C corporation without changing its ownership. The Articles of Incorporation were further amended in January 1999 to provide for the authorization of additional common and preferred stock and, accordingly, the disclosures in the financial statements and related notes have been adjusted to reflect this amendment for all periods presented.

The Company is a leading provider of fast, reliable and centrally managed Internet connectivity services targeted at businesses seeking to maximize the performance of mission-critical Internet-based applications. Customers connected to one of the Company's Private-Network Access Points ("P-NAPs") have their data optimally routed to and from destinations on the Internet in a manner that minimizes the use of congested public network access points and private peering points.

The Company began selling Internet connectivity services from its first P-NAP, located in Seattle, during October 1996. The Company began selling services from its second and third P-NAPs in New York City and San Jose by December 1998. During the six months ended June 30, 1999, the Company began selling services from P-NAPs located in the Washington D.C., Los Angeles, Chicago and Boston metropolitan areas.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred losses since inception and the expansion and development of its business plan will require significant capital. The Company is currently seeking additional financing; however, there can be no assurance that the Company will be able to obtain such

equity or debt financing when required, or, if available, on acceptable terms. If the Company fails to obtain capital when required, the Company could modify, delay or abandon some or all of the Company's business and expansion plans, which management believes would result in the reduction of expenditures.

INTERIM FINANCIAL INFORMATION

The financial information at June 30, 1999 and for the six months ended June 30, 1998 and 1999, and the related notes, are unaudited but include all adjustments, consisting only of normal recurring adjustments, that the Company considers necessary for a fair presentation, in all material respects, of its financial position, operating results, and cash flows for the interim date and periods presented. Results for the six-month period ended June 30, 1999 are not necessarily indicative of results for the entire fiscal year or future periods.

ESTIMATES AND ASSUMPTIONS

The preparation of 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 in the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements. Examples of estimates subject to possible revision based upon the outcome of future events include depreciation of property and equipment, income tax liabilities,

the valuation allowance against the deferred tax assets and the allowance for doubtful accounts. Actual results could differ from those estimates.

CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

The Company generally considers any highly liquid investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents.

The Company classifies, at the date of acquisition, its marketable securities into categories in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Currently, the Company classifies its securities as available-for-sale which are reported at fair market value with the related unrealized gains and losses included in shareholders' equity (deficit). Unrealized gains and losses were not material for all periods presented. Realized gains and losses and declines in value of securities judged to be other than temporary are included in other income (expense). Interest and dividends on all securities are included in interest income. The fair value of the Company's short-term investments are based on quoted market prices. The carrying value of those investments approximates their fair value. At June 30, 1999, short-term investments consisted of commercial paper and government securities with maturities of less than one year.

The Company invests its cash and cash equivalents in deposits with two financial institutions that may, at times, exceed federally insured limits. Management believes that the risk of loss is minimal. To date, the Company has not experienced any losses related to temporary cash investments.

ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Company extends trade credit terms to its customers based upon a credit analysis performed by management. Further credit reviews are done on a periodic basis as necessary. Generally, collateral is not required on accounts receivable, however, advance deposits are collected for accounts considered credit risks.

During 1998, the Company had two significant customers representing approximately 13.6% and 9.6% of revenues and 9.9% and 11.0% of accounts receivable at December 31, 1998, respectively. Additionally, the Company had a single customer which is billed for its quarterly services in advance and, as a result, comprised 23.4% of accounts receivable at December 31, 1998. Similarly,

during 1997, the Company had a significant customer representing 18.1% of revenues and 28.1% of accounts receivable at December 31, 1997. In addition, a significant customer which represented 20.8% of 1997 revenues and 35.5% of accounts receivable at December 13, 1997, declared bankruptcy during 1998. Consequently, the Company did not recognize significant revenue from this customer during 1998 and the accounts receivable balance at December 31, 1997, for which a reserve was provided for in the allowance for doubtful accounts, was written off during 1998 when it was determined that the Company would not be able to recover the balance. For 1996, the Company had two significant customers which represented 14.9% and 56.2% of revenues.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, accounts payable, capital lease obligations, and the line of credit are

carried at cost. The Company's short-term financial instruments approximate fair value due to their relatively short maturities. The carrying value of the Company's long-term financial instruments approximate fair value as the interest rates approximate current market rates of similar debt.

PROPERTY AND EQUIPMENT

Property and equipment consists principally of routers, telecommunications equipment and other computer equipment. Network equipment and furniture and equipment are carried at original acquisition cost and depreciated or amortized on a straight-line basis over the estimated useful lives of the assets which range from 3 to 7 years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the related lease. Additions and improvements that increase the value or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred. Gains or losses from asset disposals are charged to operations in the year of disposition.

Direct construction costs of each P-NAP, including equipment and labor costs, are capitalized during the construction period. In addition, the Company capitalizes interest costs as part of the cost of its P-NAPs when the P-NAPs require an extended period of time to ready them for their intended use. During 1998, the Company capitalized approximately $78,000 and $34,000 of labor and interest costs, respectively, related to the construction of several P-NAPs. These costs are included as part of the cost of the network equipment.

The Company currently purchases the majority of its network equipment from one vendor. The Company does not carry significant inventory of such equipment. Failure to obtain the network equipment when required could negatively impact the Company's operating results until an alternative supply source is established. Although there are a limited number of other suppliers, there can be no assurance that such equipment would be available and on comparable terms.

COSTS OF COMPUTER SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE

Costs of computer software developed or obtained for internal use are capitalized while in the application development stage and are expensed while in the preliminary stage and the post-implementation stage. During 1998, the Company capitalized approximately $76,000 of internal development costs incurred during the application development stage of certain software. These costs are included as part of the cost of network equipment.

PATENTS AND TRADEMARKS

Capitalized patent and trademark costs represent professional fees incurred for patent and trademark filings and are capitalized at cost. Patents and trademarks are amortized over 15 years. Accumulated amortization as of December 31, 1997 and 1998 was $284 and $3,698, respectively.

VALUATION OF LONG LIVED ASSETS

The Company periodically evaluates the carrying value of its long-lived assets, including, but not limited to, property and equipment, patents and trademarks, and other assets. The carrying value of a long-lived asset is considered impaired when the undiscounted cash flow from such asset is separately identifiable and is estimated to be less than its carrying value. In that event, a loss is recognized

based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long lived assets to be disposed of would be determined in a similar manner, except that fair market values would be reduced by the cost of disposal.

INCOME TAXES

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

DEBT ISSUED WITH STOCK PURCHASE WARRANTS

Proceeds from debt issued with stock purchase warrants are allocated between the debt and the warrants based on their relative fair values, and the value ascribed to the warrants, based on the Black-Scholes option pricing model, is amortized to interest expense over the term of the related debt using the effective interest method. When the Company issues stock purchase warrants in conjunction with obtaining a lease financing line of credit, the fair value of the warrants, based on the Black-Scholes option pricing model, is included as a deferred financing cost in deposits and other assets and is amortized to interest expense over the term of the lease line using the straight-line method. At December 31, 1998, $46,934 of deferred financing costs, net of accumulated amortization of $7,525, are included in deposits and other assets, net.

STOCK-BASED COMPENSATION

Employee stock options are accounted for under the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 ("APB 25") "Accounting for Stock Issued to Employees" and related interpretations.

REVENUE RECOGNITION

The Company recognizes service revenues as they are earned. Revenues from initial installation of customer network connections are recognized when installations are complete. Customers are billed on the last day of each month either on a usage or a flat-rate basis. The usage based billing relates to the month in which the billing occurs, whereas certain flat rate billings are for the month subsequent to the billing month. Deferred revenues consist of revenues for services to be delivered in the future and consist primarily of advance billings for flat rate customers.

PRODUCT DEVELOPMENT COSTS

Product development costs are primarily related to network engineering costs associated with changes to the functionality of the Company's proprietary services and network architecture. Such costs that do not qualify for capitalization are expensed as incurred. Research and development costs are expensed as incurred. Included in product development costs are research and development costs

which for the period from inception (May 1, 1996) to December 31, 1996, the years ended December 31, 1997 and 1998 and the six months ended June 30, 1998 and 1999 amounted to approximately $184,000, $389,000, $708,000, $318,000 (unaudited) and $903,000 (unaudited), respectively.

ADVERTISING COSTS

The Company expenses advertising costs as they are incurred. Advertising expense for 1997 and 1998 was $15,670 and $63,433, respectively. There was no advertising expense for the period from inception (May 1, 1996) to December 31, 1996.

COMPREHENSIVE INCOME

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130") effective January 1, 1998. SFAS No. 130 requires the disclosure of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is the change in equity from transactions and other events and circumstances other than those resulting from investments by owners and distributions to owners. SFAS No. 130 had no impact on the Company and, accordingly, a separate statement of comprehensive income has not been presented.

NET LOSS PER SHARE

Basic and diluted net loss per share has been computed using the weighted average number of shares of common stock outstanding during the period, less the weighted average number of unvested shares of common stock issued that are subject to repurchase. Basic and diluted pro forma net loss per share, as presented in the statement of operations, has been computed as described above and also gives effect to the conversion of the convertible preferred stock (using the if-converted method) from the original date of issuance. The Company has excluded all convertible preferred stock, warrants to purchase convertible preferred stock, outstanding options to purchase common stock and shares subject to repurchase from the calculation of diluted net loss per share, as such securities are antidilutive for all periods presented.

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

	PERIOD FROM INCEPTION (MAY 1, 1996) TO DECEMBER 31,	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1996	1997	1998	1998	1999
				(UNAUDITED)	
Net loss	$ (959)	$(1,609)	$(6,973)	$(1,461)	$(16,149)
Basic and diluted:					
Weighted average shares of common stock outstanding used in computing basic and diluted net loss per share	3,333	3,333	3,336	3,336	3,378
Basic and diluted net loss per share	$ (.29)	$ (.48)	$ (2.09)	$ (.44)	$ (4.78)

Pro forma (unaudited):					
Net loss			$(6,973)		$(16,149)
Shares used above			3,336		3,378
Pro forma adjustment to reflect weighted effect of assumed conversion of convertible preferred stock			19,397		44,393
Weighted average shares used in computing pro forma basic and diluted net loss per common share			22,733		47,771
Pro forma basic and diluted net loss per common share (unaudited)			$ (.31)		$ (.34)
Antidilutive securities not included in diluted net loss per share calculation:					
Convertible preferred stock	6,667	17,195	19,645	19,529	49,469
Options to purchase common stock	--	--	3,412	400	6,137
Warrants to purchase Series B preferred stock	--	786	794	828	600
Unvested shares of common stock subject to repurchase	--	--	--	--	50
	6,667	17,981	23,851	20,757	56,256

UNAUDITED PRO FORMA SHAREHOLDERS' EQUITY

Upon closing of the offering contemplated by this prospectus, all of the convertible preferred stock outstanding will automatically be converted into common stock. Unaudited pro forma shareholders' equity at June 30, 1999, as adjusted for the assumed conversion of convertible preferred stock based on the shares of convertible preferred stock outstanding at June 30, 1999, is disclosed on

the balance sheet. Series A, B and C preferred stock convert to common stock at a conversion rate of one to one.

SEGMENT INFORMATION

The Company has adopted Statement of Financial Accounting Standards No. 131 ("SFAS No. 131") "Disclosures about Segments of an Enterprise and Related Information," which is effective for fiscal years beginning after December 31, 1997. SFAS No. 131 supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS No. 131 also requires disclosures about products and services, geographic areas, and major customers. The Company's operations consist of Internet connectivity services, other ancillary services, such as co-location, web hosting and server management, and installation services. Management uses one measurement of profitability and does not disaggregate its business for internal reporting.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133, which will be effective for the Company for fiscal years and quarters beginning after June 15, 2000, requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company is assessing the

requirements of SFAS No. 133 and the effects, if any, on the Company's financial position, results of operations and cash flows.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement requires companies to capitalize qualifying computer software costs which are incurred during the application development stage and amortize them over the software's estimated useful life. SOP 98-1 is effective for fiscal years beginning after December 15, 1998. The Company adopted the requirements of SOP 98-1 during 1998.

In April 1998, the American Institute of Certified Public Accountants issued Statements of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-Up Activities." This statement requires companies to expense the costs of start-up activities and organization costs as incurred. In general, SOP 98-5 is effective for fiscal years beginning after December 15, 1998. The Company adopted SOP 98-5 during 1999, which did not have a material impact on its results of operations.

2. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

	DECEMBER 31,		JUNE 30,
	1997	1998	1999
			(UNAUDITED)
Network equipment	$ 88	$1,150	$ 1,972
Network equipment under capital lease	908	4,465	9,735
Furniture, equipment and software	7	424	2,322
Furniture, equipment and software under capital lease	92	142	948
Leasehold improvements	171	688	998
	1,266	6,869	15,975
Less: Accumulated depreciation and amortization ($258, $952 and $1,747 (unaudited) related to capital leases at December 31, 1997 and 1998, and June 30, 1999, respectively)	(399)	(1,041)	(2,310)
Property and equipment, net	$ 867	$5,828	$13,665

Depreciation and amortization expense for the period from inception (May 1, 1996) to December 31, 1996, the years ended December 31, 1997 and 1998 and the six months ended June 30, 1998 and 1999 amounted to $102,746, $297,027, $720,762, $245,320 (unaudited) and $1,303,253 (unaudited), respectively. Assets under capital leases are pledged as collateral for the underlying lease agreements.

3. ACCRUED LIABILITIES:

Accrued liabilities consist of the following (in thousands):

	DECEMBER 31,		JUNE 30,
	1997	1998	1999
			(UNAUDITED)
Compensation payable	$33	$567	$423

Taxes payable	49	95	52
Other	12	51	262
	$94	$713	$737

4. NOTES PAYABLE AND LINE OF CREDIT:

During November 1997, the Company entered into a line of credit agreement (the "Line") with a bank allowing aggregate borrowings of up to $750,000 for the purchase of equipment and for working capital. The Line is collateralized by the assets of the Company and interest is payable at prime plus 1% (8.75% at December 31, 1998). The Line requires interest only payments monthly and expires in May 1999. Among other things, the lender has the right to require immediate payment in the event of a material adverse change in the financial position of the Company. A material adverse change is defined as a material impairment in the perfection or priority of the bank's collateral or a material impairment of the prospect of repayment of the Line. As of December 31, 1998 and 1997, the Company had $650,000 and $0, respectively, outstanding on the Line.

During 1997, the Company entered into a series of convertible notes payable (the "Bridge Financing Agreements") to finance working capital equipment requirements prior to the sale of Series B preferred stock. The total amount borrowed under the Bridge Financing Agreements was $660,000. The Bridge Financing Agreements had various due dates within 1997, with interest at 9% per year. The Bridge Financing Agreements were either converted to Series B preferred stock or repaid during 1997 and there were no amounts outstanding at December 31, 1997. In connection with the Bridge Financing Agreements, the Company issued warrants to purchase 785,759 shares of Series B preferred stock at a price of $.60 per share, which resulted in financing expense of $124,310.

The Company also entered into an agreement during 1997 with a shareholder to provide a $250,000 working capital line of credit. During 1997, the Company borrowed $180,000 on the line and recorded interest expense of $5,020. All amounts borrowed under the working capital line of credit were repaid during 1997.

At December 31, 1997, the Company had a note payable due to a lessor for leasehold improvements in the amount of $34,444, which was repaid in full during 1998. The note included interest at 10% and was guaranteed by certain shareholders and officers of the Company.

5. CAPITAL LEASES:

The Company has leases for a significant portion of its property and equipment which are classified as capital leases. Interest on equipment and furniture leases range from 4% to 20%, expire through 2003 and generally include an option allowing the Company to purchase the equipment or furniture at the end of the lease term for fair market value.

Future minimum capital lease payments together with the present value of the minimum lease payments are as follows as of December 31, 1998 (in thousands):

YEARS ENDING DECEMBER 31,	
1999	$ 1,663
2000	1,414
2001	1,152
2002	39
2003	10

Total minimum lease payments	4,278
Less: amount representing interest	(605)
Present value of minimum lease payments	3,673
Less: current portion	(1,331)
Capital lease obligations, less current portion	$ 2,342

At December 31, 1998, the Company had approximately $900,000 available on a lease line with a financing company and, in January and February 1999, the Company drew the remaining $900,000 for the purchase of certain property and equipment.

In March 1999, the Company amended an existing lease credit facility with a vendor which increased the available line by $4,000,000 through March 31, 1999 and an additional $2,000,000 subsequent to March 31, 1999, if certain terms and conditions are met. The $4,000,000 and

$2,000,000 increases require the Company to maintain $539,100 and $359,400, respectively, in a restricted account for twenty four months. Alternatively, the Company may establish an unused line of credit at a commercial bank for the same amounts.

6. INCOME TAXES:

Prior to the re-incorporation of the Company in October 1997, the Company operated as an LLC and was not subject to income taxes.

As of December 31, 1998, the Company has net operating loss carryforwards of approximately $7,242,000, expiring through 2018. The Company has placed a valuation allowance against its deferred tax assets due to the uncertainty surrounding the realization of such assets. Management evaluates, on a quarterly basis, the recoverability of the deferred tax asset and the level of the valuation allowance. At such time as it is determined that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced.

The Company's ability to use its net operating losses to offset future income is subject to restrictions in the Internal Revenue Code which could limit the Company's future use of its net operating losses if certain stock ownership changes occur. The Company's deferred tax assets and liabilities are as follows (in thousands):

	DECEMBER 31,	
	1997	1998
Deferred income tax assets:		
Net operating loss carryforwards	$ 94	$ 2,680
Allowance for doubtful accounts	9	24
Property and equipment	9	--
Other	2	--
	114	2,704
Deferred income tax liabilities:		
Property and equipment	--	(58)
	114	2,646
Valuation allowance	(114)	(2,646)
Net deferred tax assets	$ --	$ --

The following is a reconciliation of the income tax benefit to the amount calculated based on the statutory federal rate of 34% and the estimated state apportioned rate of 3%, net of the federal tax benefit, for the period from inception (May 1, 1996) to December 31, 1996 and for the years ended December 31, 1997 and 1998.

	1996	1997	1998
Federal income tax benefit at statutory rates	(34)%	(34)%	(34)%
State income tax benefit at statutory rates	--	--	(3)
Non-taxable LLC losses	34	25	--
Change in valuation allowance	--	9	37
Effective tax rate	--%	--%	--%

7. EMPLOYEE RETIREMENT PLAN:

During March 1998, the Company established a 401(k) Retirement Plan (the "Plan") which covers substantially all eligible employees. The Plan is a qualified salary reduction plan in which all eligible participants may elect to have a percentage of their pre-tax compensation contributed to the Plan, subject to certain guidelines issued by the Internal Revenue Service. The Company can contribute to the plan at the discretion of the Board of Directors. To date, no contributions have been made by the Company.

8. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES

Leases relating to office space and P-NAP rental space are classified as operating. Future minimum lease payments on non-cancelable operating leases are as follows at December 31, 1998 (in thousands):

YEARS ENDING DECEMBER 31,	
1999	$1,009
2000	944
2001	904
2002	754
2003	484
	$4,095

Rent expense was approximately $61,000, $111,000, $571,000, $95,827 (unaudited) and $1,003,136 (unaudited) for the period from inception (May 1, 1996) to December 31, 1996, for the years ended December 31, 1997 and 1998 and for the six months ended June 30, 1998 and 1999, respectively.

SERVICE COMMITMENTS

The Company has entered into contracts with a backbone service provider and a local exchange carrier to provide interconnection services. The contract with the local exchange carrier provides for volume pricing based on a minimum monthly payment. The required minimum monthly payment to the local exchange carrier does not begin until six months after the deployment of the related P-NAP and, as a result, will not begin until mid-1999. During that interim

period, the monthly payments are based on actual usage.

Minimum payments under these service commitments are as follows at December 31, 1998 (in thousands):

YEARS ENDING DECEMBER 31,	
1999	$ 693
2000	1,383
2001	1,054
2002	240
	$3,370

9. SHAREHOLDERS' EQUITY (DEFICIT):

In January 1999, the Articles of Incorporation were amended to provide for the authorization of additional common and preferred stock (the "Amendment") and, accordingly, the disclosures in the financial statements and related notes have been adjusted to reflect the Amendment for all periods presented.

CONVERTIBLE PREFERRED STOCK

At December 31, 1998, after giving effect to the Amendment, preferred stock consists of the following (in thousands):

SERIES	SHARES DESIGNATED	ISSUED AND OUTSTANDING	PAR VALUE	ADDITIONAL PAID-IN CAPITAL (NET)	COMMON STOCK RESERVED FOR CONVERSION	LIQUIDATION PREFERENCE
A	6,667	6,667	$ 7	$ 993	6,667	$ 680
B	13,773	12,978	13	7,706	12,978	7,786
C	29,630	--	--	--	--	--
	50,070	19,645	$20	$8,699	19,645	$8,466

Preferred stock may be issued in one or more series, each with such designations, preferences, rights, qualifications, limitations and restrictions as the Board of Directors of the Company may determine at the time of issuance. During 1997, the Board of Directors authorized 30,000,000 shares of preferred stock. As a result of the Amendment in January 1999, the number of shares authorized for preferred stock was increased to 50,069,615 shares.

Each share of Series A, Series B and Series C preferred stock is convertible on a one-for-one basis to common stock at the option of the holder, subject to adjustment in certain instances or automatically upon registration of the Company's common stock pursuant to a public offering under the Securities Act of 1933, as amended (an "Offering"). The Series A and Series B preferred stock would be converted upon an Offering at a price of not less than $1.20 per share with aggregate proceeds of not less than $7,000,000. The Series C preferred stock would be converted upon an Offering at a price of not less than $3.00 per share with aggregate proceeds of not less than $20,000,000. Automatic conversion of Series A and Series B preferred stock would also occur on such date as fewer than 1,333,333 and 2,185,609 shares remained outstanding, respectively. Additionally, automatic conversion of Series A preferred stock would occur upon written agreement of the holders

of a majority of Series A preferred stock, or, in the case of Series B and Series C preferred stock, upon written agreement of the holders of 66 2/3% of such shares.

The holder of each share of preferred stock has the right to one vote for each share of common stock into which such preferred stock can be converted. Preferred shareholders have the same voting rights and powers as common shareholders. Holders of the Company's preferred stock and warrants also have certain registration rights.

Holders of preferred stock are entitled to receive dividends in preference to any dividends paid to holders of common stock. Dividends are based on a rate equal to 8% per share per annum of the original issue price, or $.102, $.60 and $1.08 per share for Series A, Series B, and Series C preferred stock, respectively. No dividends shall be paid to common or Series A preferred shareholders unless all dividends payable to Series B and Series C preferred shareholders have been paid or set apart on a pro rata basis. Dividends are not cumulative and are payable when and if declared by the Board of Directors.

In the event of a liquidation of the Company, the holders of Series B and Series C preferred stock will receive a liquidation preference of up to $.60 and $1.08 per share, respectively, over the holders of common or Series A preferred stock, adjusted for any combinations, consolidations, stock distributions, or declared but unpaid dividends. Upon satisfaction of the Series B and Series C preferred stock liquidation preference, distributions will be made to Series A preferred shareholders in an amount equal to $.102 per share, adjusted for any combinations, consolidations, stock distributions, or declared but unpaid dividends. Upon completion of preference distributions to Series A, Series B and Series C preferred shareholders, any remaining amounts will be distributed among the holders of Series A, Series B, and Series C preferred stock and common shareholders on a pro rata basis.

COMMON STOCK

As a result of the Amendment, the number of shares of common stock authorized was increased to 100,000,000 from 70,000,000.

CLASS A AND B UNITS

During 1996, conducting business as an LLC, the Company issued 2,000,000 Class A units to its founding members upon incorporation and subsequently sold 4,000,000 Class B units. All units were exchanged for preferred and common stock during 1997 as part of the re-incorporation.

WARRANTS TO PURCHASE SERIES B PREFERRED STOCK

During 1997, the Company issued warrants to purchase up to 785,759 shares of Series B preferred stock at $.60 per share in conjunction with its bridge financing. During 1998, the Company issued warrants to purchase up to 125,001 shares of Series B preferred stock at $.60 per share in connection with various lease financings. The warrants to purchase Series B preferred stock automatically convert to warrants to purchase common stock upon the automatic conversion of the Series B preferred stock into common stock. During 1998, a warrant holder exercised warrants to purchase 116,666 shares of Series B preferred stock, resulting in proceeds to the Company of $70,000.

Outstanding warrants to purchase shares of Series B preferred stock at December 31, 1998 are as follows (shares in thousands):

YEAR OF EXPIRATION	EXERCISE PRICE	SHARES
2002	$.60	669
2008	$.60	125
		794

During January of 1999, two warrant holders exercised warrants to purchase a total of 193,958 shares of Series B preferred stock, resulting in proceeds to the Company of $116,375.

10. STOCK OPTION PLAN:

In March 1998, the Company's Board of Directors adopted the 1998 Stock Option/Stock Issuance Plan (the "1998 Plan"), which provides for the issuance of incentive stock options ("ISOs") and non-qualified options to eligible individuals responsible for the management, growth and financial success of the Company. The Company has applied the accounting principles discussed below to stock option commitments made by the Company. Shares of common stock reserved for the 1998 Plan in March 1998 totaled 4,035,000 and were increased to 5,035,000 in January 1999.

ISOs may be issued only to employees of the Company and have a maximum term of 10 years from the date of grant. The exercise price for ISOs may not be less than 100% of the estimated fair market value of the common stock at the time of the grant. In the case of options granted to holders of more than 10% of the voting power of the Company, the exercise price may not be less than 110% of the estimated fair market value of the common stock at the time of grant, and the term of the option may not exceed five years. Options become exercisable in whole or in part from time to time as determined by the Board of Directors, which will administer the Plan. Both ISOs and non-qualified options generally vest over four years.

The Company has elected to account for stock-based compensation using the intrinsic value method prescribed in APB 25. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair value of the Company's stock at the date of grant over the exercise price to be paid to acquire the stock.

Option activity for 1998 is as follows (there was no activity in 1997 and for the period from inception (May 1, 1996) to December 31, 1996) (shares in thousands):

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Granted	3,412	$.10
Exercised	--	--
Canceled	--	--
Balance, December 31, 1998	3,412	$.10

Options granted during 1998 include 400,000 non-qualified options granted to members of the Board of Directors ("Directors' Options") which are immediately exercisable, and upon exercise, are

subject to the terms of restricted stock purchase agreements. The Directors'

Options, or if exercised, the related restricted stock, vest over a period of four years from the vesting commencement date, as determined by the Board of Directors.

The following table summarizes information about options outstanding at December 31, 1998 (shares in thousands):

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE (EXCLUDING OPTIONS WHICH SHARES WOULD BE SUBJECT TO THE COMPANY'S RIGHT OF REPURCHASE)	
EXERCISE PRICES	NUMBER OF SHARES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
$.06	1,916	9.49	184	$.06
$.15	1,496	9.85	--	--
$.06 - $.15	3,412	9.65	184	$.06

The Company has adopted the disclosure only provisions of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation." Pro forma information regarding the net loss is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value of options granted in 1998 was estimated at the date of grant using the minimum value method allowed for non-public companies assuming no expected dividends and the following weighted-average assumptions: risk-free interest rate of 6.00%; volatility of 0%; and an expected life of 6 years.

For purposes of the pro forma disclosures, the estimated fair value of options is amortized to expense over the options' vesting periods. If the Company had accounted for compensation expense related to stock options under the fair value method prescribed by SFAS No. 123, the net loss and the basic and diluted net loss per share for the year ended December 31, 1998 would have been approximately $6,985,000 and $2.09, respectively.

During 1998, options to purchase 3,411,749 shares of the Company's common stock, with a weighted-average exercise price of $.10 per share and a weighted-average option fair value of $.23 per share, were granted with an exercise price below the estimated market value at the date of grant.

DEFERRED STOCK COMPENSATION

During 1998, the Company issued stock options to certain employees under the 1998 Plan with exercise prices below the deemed fair value of the Company's common stock at the date of grant. In accordance with the requirements of APB 25, the Company has recorded deferred stock compensation for the difference between the exercise price of the stock options and the deemed fair value of the Company's common stock at the date of grant. This deferred stock compensation is amortized to expense over the period during which the options or common stock subject to repurchase vest, generally four years, using an accelerated method as described in Financial Accounting Standards Board Interpretation No. 28. As of December 31, 1998, the Company has recorded deferred stock compensation related to these options in the total amount of $697,830, of which $204,599 has been amortized to expense during 1998. The weighted average exercise price of

the 3,411,749 options to purchase common stock was $.10 and the weighted average fair value per share was $.31 during 1998.

11. EVENTS SUBSEQUENT TO DECEMBER 31, 1998:

BRIDGE NOTES PAYABLE

In January 1999, the Company borrowed $1,100,000 from two existing shareholders as a bridge loan until the completion of the Series C financing. Interest on these notes was at prime plus 2% and was repaid in full, plus accrued interest, during February of 1999.

PREFERRED STOCK

In February 1999, the Company sold 29,629,630 shares of Series C preferred stock at a price of $1.08 per share, resulting in gross proceeds of approximately $32,000,000, prior to deducting issuance costs.

DEBT COVENANTS

The bank line of credit agreement requires that the Company provide audited financial statements prior to March 31 of each year. The December 31, 1998 financial statements were issued subsequent to March 31, 1999 and, accordingly, resulted in a violation of this covenant. The Company has obtained a waiver for this violation from the bank.

12. EVENTS SUBSEQUENT TO DECEMBER 31, 1998 (UNAUDITED):

FINANCING ARRANGEMENTS

Line of Credit: During July 1999, the Company amended its existing line of credit and established a new line of credit (the "New Line") with the same financial institution. The New Line allows the Company to borrow up to $3,000,000, as limited by certain borrowing base requirements which include maintaining certain levels of monthly revenues and customer turnover ratios. The New Line requires monthly payments of interest only at prime plus 1% and matures on June 30, 2000. Events of default for the New Line include failure to maintain certain financial covenants or a material adverse change in the financial position of the Company. A material adverse change is defined as a material impairment in the perfection or priority of the bank's collateral or a material impairment of the prospect of repayment of the New Line. The Company borrowed an additional $900,000 on the New Line during July 1999.

Equipment Financing: During August 1999, the Company entered into an equipment financing arrangement with a finance company which allows the Company to borrow up to $5,000,000 for the purchase of property and equipment. During August 1999, the Company borrowed approximately $1,900,000 pursuant to this arrangement. Amounts borrowed are collateralized by the property and equipment purchased and require monthly payments of principle and interest.

Standby Credit Facility. On August 31, 1999, the Company signed a financing commitment letter with 7 shareholders, including a director of the Company who will also act as the administrative agent for the proposed facility. Upon completion of a definitive agreement, the facility will allow the Company to draw up to $10,000,000 prior to December 31, 1999. The facility will bear interest at

prime plus 2% with principal and interest due on the earlier of six months from the first draw or a public or private sale of stock. Additionally, upon completion of the definitive agreement, the Company will issue warrants to purchase 100,000 shares of common stock with an exercise price equal to the Company's initial public offering share price or a price determined in a private sale of stock. Further, at the Company's option, the facility can be extended for an additional six month term in consideration for the issuance of warrants

to purchase an additional 100,000 shares of common stock.

STOCK OPTIONS

During the six months ended June 30, 1999, the Company granted an additional 1,468,500 options under the 1998 Plan. During June 1999, the Company's Board of Directors adopted the 1999 Equity Incentive Plan (the "1999 Plan") which provides for the issuance of ISOs and nonqualified stock options to eligible individuals responsible for the management, growth and financial success of the Company. As of June 30, 1999, 6,500,000 shares of common stock are reserved for the 1999 Plan, of which 2,004,000 options were outstanding. The terms of the 1999 Plan are the same as the 1998 Plan with respect to ISO treatment and vesting. During the six months ended June 30, 1999, the Company granted 3,482,500 options with exercise prices below the deemed fair value of the Company's common stock and recorded approximately $15,406,000 of deferred stock compensation related to such options, and amortized approximately $1,787,000 to expense. The weighted average exercise price per share of the 3,482,500 options to purchase common stock was $2.72 and the weighted average fair value per share was $7.14 during 1999. Subsequent to June 30, 1999, the Company granted 760,000 options to purchase shares of common stock to certain employees with exercise prices below the deemed fair value of the Company's common stock and will record approximately $4,600,000 of deferred compensation related to such options.

NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

During July 1999, the Company adopted the 1999 Non-Employee Directors' Stock Option Plan (the "Director Plan"). The Director Plan provides for the grant of non-qualified stock options to non-employee directors. A total of 500,000 shares of the Company's common stock have been reserved for issuance under the Director Plan. Initial grants, which are fully vested as of the date of the grant, of 40,000 shares of the Company's common stock are to be made under the Director Plan to all non-employee directors upon the closing of an initial public offering and, thereafter, to each eligible non-employee director on the date such person is first elected or appointed as a non-employee director. On the day after each of the Company's annual shareholder meetings, starting with the annual meeting in 2000, each non-employee director will automatically be granted a fully vested and exercisable option for 10,000 shares, provided such person has been a non-employee director of the Company for at least the prior six months. The options are exercisable as long as the non-employee director continues to serve as a director, employee or consultant of the Company or any of its affiliates.

EMPLOYEE STOCK PURCHASE PLAN

During July 1999, the Company adopted the Employee Stock Purchase Plan (the "ESPP"). The ESPP allows all full-time employees to participate by purchasing the Company's common stock using a uniform percentage of compensation at a discount allowed under guidelines issued by the Internal

Revenue Service. A total of 1,500,000 shares of the Company's common stock has been reserved for issuance under the ESPP. Each year, the number of shares reserved for issuance under the purchase plan will automatically be increased by 2% of the total number of shares of common stock then outstanding or, if less, by 1,500,000 shares.

COMMON STOCK

During July 1999, the Board of Directors increased the number of authorized shares of common stock to 300,000,000 shares.

OPERATING LEASES

As of June 30, 1999, the Company entered into various operating lease agreements which increased the total payments that will be paid on non-cancelable leases over the next five years by approximately $5,205,000 to approximately $9,300,000.

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[INTERNAP LOGO]

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Company in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee.

SEC registration fee	$ 41,721
NASD filing fee	15,508
Nasdaq National Market listing fee	95,000
Printing and engraving costs	200,000
Legal fees and expenses	425,000
Accounting fees and expenses	250,000
Blue Sky fees and expenses	5,000
Transfer Agent and Registrar fees	10,000
Miscellaneous expenses	57,771
Total	$1,100,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sections 23B.08.500 through 23.B.08.600 of the Washington Business Corporation Act (the "WBCA") authorize a court to award, or a corporation's board of directors to grant, indemnification to directors and officers on terms sufficiently broad to permit indemnification under certain circumstances for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"). The directors and officers of InterNAP also may be indemnified against liability they may incur for serving in that capacity pursuant to a liability insurance policy maintained by InterNAP for such purpose.

Section 23B.08.320 of the WBCA authorizes a corporation to limit a director's liability to the corporation or its shareholders for monetary damages for acts or omissions as a director, except in certain circumstances involving intentional misconduct, knowing violations of law or illegal corporate loans or distributions, or any transaction from which the director personally receives a benefit in money, property or services to which the director is not legally entitled. Section 5 of InterNAP's Amended and Restated Articles of Incorporation, as amended by Articles of Amendment (Exhibit 3.2 hereto) contains provisions implementing, to the fullest extent permitted by Washington law, such limitations on a director's liability to InterNAP and its shareholders.

InterNAP has entered into certain indemnification agreements with its directors and certain of its officers, the form of which is attached as Exhibit 10.1 to this Registration Statement and incorporated herein by reference. The indemnification agreements provide InterNAP's directors and certain of its officers with indemnification to the maximum extent permitted by the WBCA.

The Underwriting Agreement, which is attached as Exhibit 1.1 to the Registration Statement, provides for indemnification by the Underwriters of InterNAP and its executive officers and directors and by InterNAP of the Underwriters, for certain liabilities, including liabilities arising under the

Securities Act, in connection with matters specifically provided in writing by the Underwriters for inclusion in this Registration Statement.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the past three years, we have issued unregistered securities to a limited number of persons, as described below. None of these transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and we believe that each transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof, Regulation D promulgated thereunder or Rule 701 pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access to information about us, through their relationships with us.

Since May 1, 1996 we have issued and sold the following securities:

Pursuant to a Limited Liability Company Agreement of InterNAP Network Services, L.L.C., dated October 11, 1996, we sold 1,787,180 Class A Units in InterNAP Network Services, L.L.C. to certain investors, including our officers Paul E. McBride, Christopher D. Wheeler and Anthony C. Naughtin, for an aggregate consideration of $1,787. InterNAP Network Services, L.L.C. was dissolved on October 27, 1997. InterNAP was incorporated in the State of Washington in October 1997. These Class A Units were exchanged for shares of common stock at an exchange ratio of 1 to 1.667.

In May 1996, we issued 2,000,000 Class B Units in InterNAP Network Services, L.L.C. to Robert J. Lunday, Jr., in consideration for arranging a guarantee of certain of our leasehold obligations and an unconditional promise to contribute $500,000 to our capital on or before October 15, 1996. Additionally, Lunday Communications loaned us $475,000 in 1996 and we repaid the principal and interest during 1996. Robert J. Lunday, Jr., one of our directors, is president of Lunday Communications, Inc. Further, in May 1996, Mr. Lunday purchased an additional 2,000,000 Class B Units for $500,000. These Class B Units were exchanged for shares of Series A preferred stock at an exchange ratio of 1 to 1:667.

On October 29, 1997, December 29, 1997 and February 4, 1998, we sold an aggregate of 12,862,558 shares of Series B preferred stock to 36 investors, including H&Q InterNAP Investors, L.P., TI Ventures, LP and Vulcan Ventures Incorporated, three of our principal shareholders, at an aggregate purchase price of $7,717,534 or $.60 per share. The investor group included Robert D. Shurtleff, Jr., one of our directors, who converted a promissory note dated February 13, 1997 in the amount of $125,000 plus accrued interest for 221,638 shares of Series B preferred stock.

On January 28, 1999 and February 26, 1999, we sold an aggregate of 29,629,630 shares of Series C preferred stock to 44 investors, including Robert D. Shurtleff, Jr., one of our directors, and H&Q InterNAP Investors, L.P., Morgan Stanley Dean Witter Venture Partners, Oak Investment Partners VIII, L.P., TI Ventures, LP and Vulcan Ventures Incorporated, five of our principal shareholders, at an aggregate purchase price of $32,000,000 or $1.08 per share.

From May 1, 1996 to December 1998, we issued warrants to 12 private investors to purchase an aggregate of 794,092 shares of Series B preferred stock at a weighted average exercise price of $.60.

In May and September 1998, we issued warrants to First Portland Corporation and Phoenix Leasing Incorporated, to purchase an aggregate of 116,668 shares of Series B preferred stock at a weighted average exercise price of $.60.

From July 22, 1998, date of the first issuance of options under our 1998 Stock Option Plan, through August 31, 1999, we granted stock options to purchase an aggregate of 4,880,249 shares of common stock, with exercise prices ranging

from $.06 to $.80 per share, to employees and directors pursuant to our 1998 Stock Option Plan. Of these options, options for an aggregate of 810,255 shares

have been exercised, options for an aggregate of 358,399 shares are exercisable, options for an aggregate of 80,445 shares have been cancelled and options for an aggregate of 3,989,549 shares remain outstanding. Pursuant to our 1999 Equity Incentive Plan, as of August 31, 1999 we have granted stock options to purchase 2,774,000 shares of our common stock, with exercise prices ranging from $4.00 to $8.00 per share to employees, consultants and directors of which 15,000 have been cancelled and options for an aggregate of 2,759,000 remain outstanding.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
1.1	Form of Underwriting Agreement.
3.1+	Amended and Restated Articles of Incorporation of InterNAP, as amended.
3.2+	Form of Amended and Restated Articles of Incorporation to be filed upon the closing of the offering made pursuant to this Registration Statement.
3.3+	Bylaws of InterNAP, as currently in effect.
3.4+	Form of Amended and Restated Bylaws of InterNAP to be filed upon the closing of the offering made pursuant to this Registration Statement.
4.1+	Specimen Common Stock Certificate.
5.1	Opinion of Cooley Godward LLP.
10.1+	Form of Indemnification Agreement between the Registrant and each of its directors and certain of its officers.
10.2+	1999 Non-Employee Directors' Stock Option Plan.
10.3+	Form of 1999 Non-Employee Directors' Stock Option Agreement.
10.4+	1999 Employee Stock Purchase Plan.
10.5+	1998 Stock Option/Stock Issuance Plan.
10.6+	Form of 1998 Stock Option Agreement.
10.7+	1999 Equity Incentive Plan.
10.8+	Form of 1999 Equity Incentive Plan Stock Option Agreement.
10.9+	Lease Agreement, dated June 11, 1998, between Registrant and Union Square Limited Partnership, as amended.
10.10+	Lease Agreement, dated June 1, 1996, between Registrant and Sixth & Virginia Properties.
10.11+	Form of Employee Confidentiality, Nonraiding and Noncompetition Agreement used between Registrant and its Executive Officers.
10.12+	Form of Stock Purchase Warrant.
10.13+	Preferred Stock Purchase Warrant, dated December 15, 1998, between Registrant and Bob Kingsbook.
10.14+	Preferred Stock Purchase Warrant, dated September 1, 1998, between Registrant and Phoenix Leasing Incorporated.
10.15+	Preferred Stock Purchase Warrant, dated May 5, 1998, between Registrant and First Portland Corporation.
10.16+	Preferred Stock Purchase Warrant, dated December 24, 1998, between Registrant and Robert Shurtleff, Jr.
10.17+	Amended and Restated Investor Rights Agreement, dated January 28, 1999.
10.18+	Shareholders Agreement, dated October 1, 1997.
10.19	Amended and Restated Loan and Security Agreement, dated June 30, 1999, between Registrant and Silicon Valley Bank.
10.20	Master Agreement To Lease Equipment, dated January 20, 1998 between Registrant and Cisco Systems Capital Corporation.

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EXHIBIT NUMBER	DESCRIPTION
10.21	Employment Agreement, dated April 10, 1996, between Registrant and Christopher D. Wheeler.
10.22	Employment Agreement, dated May 16, 1996, between Registrant and Anthony C. Naughtin.
10.23	Employee Confidentiality, Nonraiding and Noncompetition Agreement, dated May 16, 1996 between Registrant and Paul E. McBride.
10.24	Employment Agreement, dated March 18, 1998, between Registrant and Michael Ortega.
10.25	Standby Loan Facility Commitment Letter, dated August 31, 1999, between Registrant and David Cornfield, Dan Newell, Richard Saada, Paul Canniff, Robert Lunday, Todd Warren, Robert D. Shurtleff, Jr. and S.L. Partners, Inc.
10.26	Master Loan and Security Agreement, dated August 23, 1999 between Registrant and Finova Capital Corporation.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
23.2	Consent of Counsel (included in Exhibit 5.1).
24.1+	Power of Attorney (contained on signature page).
27.1+	Financial Data Schedule.

+ Previously filed.

ITEM 17. UNDERTAKINGS

We hereby undertake to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by us for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the provisions referenced in Item 14 of this registration statement or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by our director, officer, or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

We hereby undertake that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of Prospectus filed by us pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act will be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities

Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, InterNAP has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereinto duly authorized, in the City of Seattle, State of Washington, on the 7th day of September, 1999.

INTERNAP NETWORK SERVICES CORPORATION

By: *

Anthony C. Naughtin
Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
*	Chief Executive Officer and President (Principal Executive Officer)	September 7, 1999
Anthony C. Naughtin		
/s/ PAUL E. MCBRIDE	Vice President and Chief Financial Officer (Principal Finance and Accounting Officer)	September 7, 1999
Paul E. McBride		
*	Chairman of the Board	September 7, 1999
Eugene Eidenberg		
*	Director	September 7, 1999
William J. Harding		
*	Director	September 7, 1999
Frederic W. Harman		
*	Director	September 7, 1999
Robert J. Lunday, Jr.		
*	Director	September 7, 1999
Kevin L. Ober		

SIGNATURE	TITLE	DATE
*	Director	September 7, 1999
Robert D. Shurtleff, Jr.		
By: /s/ PAUL E. MCBRIDE Paul E. McBride (Attorney-in-Fact)		

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Report of Independent Accountants on Financial Statement Schedule

To the Board of Directors and Shareholders
InterNAP Network Services Corporation

Our audits of the financial statements referred to in our report dated April 2, 1999 appearing in the Registration Statement on Form S-1 also included an audit of the financial statement schedule listed in Item 16 of this Form S-1. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements.

PricewaterhouseCoopers LLP

Seattle, Washington
April 2, 1999

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Valuation and qualifying accounts and reserves (in thousands)

Description	Balance at beginning of fiscal period	Charges to costs & expenses	Charges to other accounts	Deductions	Balance at end of fiscal period
Year Ended December 31, 1997					
Allowance for doubtful accounts		27			27
Tax valuation allowance			114		114
Year Ended December 31, 1998					
Allowance for doubtful accounts	27	140		102	65
Tax valuation allowance	114		2,532		2,646

EXHIBIT INDEX

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5.1	Opinion of Cooley Godward LLP.
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23.2	Consent of Counsel (included in Exhibit 5.1).
24.1+	Power of Attorney (contained on signature page).
27.1+	Financial Data Schedule.

+ Previously filed.

EXHIBIT 1.1

September __, 1999

Morgan Stanley & Co. Incorporated
Credit Suisse First Boston
Donaldson, Lufkin & Jenrette
Hambrecht & Quist
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Dear Sirs and Mesdames:

InterNAP Network Services Corporation, a Washington corporation (the "COMPANY"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "UNDERWRITERS") _____ shares of its Common Stock, $0.001 par value per share (the "FIRM SHARES"). The Company also proposes to issue and sell to the several Underwriters not more than an additional _____ shares of its Common Stock, $0.001 par value per share (the "ADDITIONAL SHARES"), if and to the extent that you, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "SHARES." The shares of Common Stock, $0.001 par value per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "COMMON STOCK."

The Company has filed with the Securities and Exchange Commission (the "COMMISSION") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "SECURITIES ACT"), is hereinafter referred to as the "REGISTRATION STATEMENT"; the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "PROSPECTUS." If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "RULE 462 REGISTRATION STATEMENT"), then any reference herein to the term "REGISTRATION STATEMENT" shall be deemed to include such Rule 462 Registration Statement.

As part of the offering contemplated by this Agreement, Morgan Sanley & Co. Incorporated ("MORGAN STANLEY") has agreed to reserve out of the Shares set forth opposite its name on Schedule I to this Agreement, up to _____ shares, for sale to the Company's employees, officers and directors and other parties associated with the Company (collectively, "PARTICIPANTS"), as set forth in the Prospectus under the heading "Underwriting" (the "DIRECTED SHARE PROGRAM"). The Shares to be sold by Morgan Stanley pursuant to the Directed Share Program (the "DIRECTED SHARES") will be sold by Morgan Stanley pursuant to this Agreement at the public offering price. Any Directed Shares not orally confirmed for purchase by any

Participants by the end of the first business day after the date on which this Agreement is executed will be offered to the public by Morgan Stanley as set forth in the Prospectus.

1. Representations and Warranties. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) The Registration Statement, when it became

effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder (the "RULES") and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company has been duly organized, is validly existing as a corporation under the laws of the State of Washington, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company.

(d) The Company does not have any subsidiaries as defined in Rule 1.02 of the Regulation S-X of the Security Act.

(e) This Agreement has been duly authorized, executed and delivered by the Company.

(f) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(g) The shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable.

(h) The Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(i) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the articles of incorporation, as amended, or bylaws, as amended, of the Company or any agreement or other instrument binding upon the Company that is material to the Company, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares and the clearance of such offering with the National Association of Securities Dealers, Inc.

(j) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus.

(k) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, (1) the Company has not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction not in the ordinary course of business; (2) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (3)

there has not been any material change in the capital stock, short-term debt or long-term debt of the Company, except as described in the Prospectus.

(l) The Company has good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by it which is material to the business of the Company, free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company; and any real property and buildings held under lease by the Company are held by it under valid, subsisting and enforceable leases with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company, except as described in the Prospectus.

(m) The Company owns or possesses, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names necessary to conduct its business in the manner currently employed by it and as described in the Prospectus. The Company has not received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could reasonably be expected to result in a material adverse affect on the Company.

(n) No material labor dispute with the employees of the Company exists, except as described in the Prospectus, or to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that could have a material adverse effect on the Company.

(o) The Company is insured by the insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the business in which the Company is engaged; the Company has not been refused any insurance coverage sought or applied for; and the Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company, except as described in the Prospectus.

(p) The Company possesses all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct its business, and the Company has not received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company, except as described in the Prospectus.

(q) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (1) transactions are executed in accordance with management's general or specific authorizations; (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (3) access to assets is permitted only in accordance with management's general or specific authorization; and (4) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(r) The accountants who have expressed their opinions with respect to the financial statements and schedules included in the Registration Statement are independent accountants as required by the Securities Act.

(s) The financial statements and schedules of the Company included in the Registration Statement, including the notes thereto, present fairly the financial position of the Company as of the respective dates of such

financial statements, and the results of operations and cash flows of the Company for the respective periods covered thereby, and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein; and the financial information set forth in the Prospectus under the captions "Summary Financial Data" and "Selected Financial Data" presents fairly on the basis stated in the Prospectus, the information set forth therein.

(t) The Company has not taken and will not take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(u) There is no material document of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed as required.

(v) All offers and sales of the Company's capital stock prior to the date hereof were at all relevant times exempt from the registration requirements of the Securities Act and were duly registered with or the subject of an available exemption from the registration requirements of the applicable state or province securities laws.

(w) The Company has filed all necessary foreign, federal and state income, franchise, value-added, sales and use and similar tax returns and has paid or is contesting in good faith all taxes shown as due thereon, and there is no tax deficiency that has been, or to be knowledge of the Company might be, asserted against the Company or any of its properties or assets that would or could be expected to have a material adverse effect.

(x) The Shares have been approved for listing on the Nasdaq National Market, subject to notice of issuance or sale of the Shares, as the case may be.

(y) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).

(z) There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened to which the Company is a party or to which any of the properties of the Company is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(aa) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(bb) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(cc) The Company (i) is in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS"), (ii) has received all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business, and (iii) is in compliance with all terms and conditions of any such permit, license or

approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or

failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company.

(dd) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company.

(ee) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement other than those that have been waived prior to the date hereof.

(ff) The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

(gg) The Company has reviewed its operations and the disclosures and surveys of any third parties with which the Company has a material relationship to evaluate the extent to which the business or operations of the Company will be affected by the Year 2000 Problem. As a result of such review, the Company has no reason to believe, and does not believe, that the Year 2000 Problem will have a material adverse effect on the Company. The "Year 2000 Problem" as used herein means any significant risk that the computer hardware or software used in the receipt, transmission, storage, retrieval, retransmission or other utilization of data or in the operation of mechanical or electrical systems of any kind will not, in the case of dates or time periods occurring after December 31, 1999, function at least as effectively as in the case of dates or time periods occurring prior to January 1, 2000.

Furthermore, the Company represents and warrants to Morgan Stanley that (i) the Registration Statement, the Prospectus and any preliminary prospectus comply, and any further amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus or any preliminary prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and that (ii) no authorization, approval, consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been obtained, is necessary under the securities laws and regulations of foreign jurisdictions in which the Directed Shares are offered

Moreover, the Company has not offered, or caused the Underwriters to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

2. Agreements to Sell and Purchase. The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective numbers of Firm Shares set forth in Schedule I hereto opposite its name at $_____ a share (the "PURCHASE PRICE").

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have a one-time right to purchase, severally and not jointly, up to _____ Additional Shares at the Purchase Price. If you, on behalf of the Underwriters, elect to exercise such option, you shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The Company hereby agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing or (C) any securities issued, granted or exercised under the Company's employee benefit plans.

3. Terms of Public Offering. The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at $_____ a share (the "PUBLIC OFFERING PRICE") and to certain dealers selected by you at a price that represents a concession not in excess of $_____ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $_____ a share, to any Underwriter or to certain other dealers.

4. Payment and Delivery. Payment for the Firm Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York city time, on September ___, 1999, or at such other time on the same or such other date, not later than September ___, 1999, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "CLOSING DATE".

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the notice described in Section 2 or at such other time on the same or on such other date, in any event not later than _____, 1999, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "OPTION CLOSING DATE".

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you

shall request in writing not later than one full business day prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

5. Conditions to the Underwriters' Obligations. The obligations of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date and the Option Closing Date, as the case may be, are subject to the condition that the Registration Statement shall have become effective not later than [_____] (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date and the Option Closing Date, as the case may be:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your

judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date and the Option Closing Date, as the case may be, a certificate, dated the Closing Date or the Option Closing Date, as the case may be, and signed by the Chief Executive Officer and Chief Financial Officer of the Company, to the effect set forth in Section 5(a)(i) above and to the effect that:

(i) the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and the Option Closing Date, as the case may be, and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date and the Option Closing Date, as the case may be;

The officers signing and delivering such certificate may rely upon the best of their knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date and the Option Closing Date, as the case may be, an opinion of Cooley Godward LLP, outside counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, to the effect that:

(i) the Company has been duly organized, is validly existing as a corporation under the laws of the State of Washington, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse

effect on the Company;

(ii) the Company has no subsidiaries;

(iii) the authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus;

(iv) the authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus under the caption "Capitalization" as of the dates stated therein, the issued and outstanding shares of capital stock of the Company have been duly and validly issued and are fully paid and nonassessable, and unless otherwise described in the Prospectus, will not have been issued in violation of or subject to any preemptive right or, to such counsel's knowledge, any co-sale right, registration right, right of first refusal or other similar right;

(v) the Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully

paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or, to such counsel's knowledge, any similar rights;

(vi) this Agreement has been duly authorized, executed and delivered by the Company;

(vii) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law (other than applicable state securities and blue sky laws, as to which such counsel need not express an opinion) or the articles of incorporation, as amended, or bylaws, as amended, of the Company or, to such counsel's knowledge, any agreement or other instrument binding upon the Company that is material to the Company, or, to such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as have been obtained under the Securities Act and such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares;

(viii) the statements (A) in the Prospectus under the captions "Management -- Incentive Stock Plans," "--Limitations on Directors' and Executive Officers' Liability and Indemnification," "Risk Factors --Significant Shareholders and Current Management Will Control Approximately __% of Our Common Stock After this Offering, and These Parties may Have Conflicts of Interest," "--Future Sales of Our Common Stock by our Existing Shareholders Could Cause Our Stock Price To Fall" and "Description of Capital Stock" and (B) in the Registration Statement in Items 14 and 15, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize such matters to the extent required by the Securities Act and the Rules;

(ix) such counsel does not know of any legal or governmental proceedings pending or threatened to which the Company is a party or to which any of the properties of the Company is subject that are required under the Securities Act and the Rules to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required under the Securities Act and the Rules;

(x) the Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

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(xi) such counsel (A) is of the opinion that the Registration Statement and Prospectus (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (B) has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Registration Statement and the prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (C) has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xii) the Registration Statement has become effective under the Securities Act and, to such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or threatened by the Commission under the Securities Act;

(xiii) except as set forth in the Registration Statement and Prospectus, no holders of Common Stock or other Securities of the Company have registration rights with respect to Securities of the Company and, except as set forth in the Registration Statement and Prospectus, all holders of securities of the Company having rights known to such counsel to registration of such shares of Common Stock or other Securities, because of the filing of the Registration Statement by the Company have, with respect to the offering contemplated thereby, waived such rights or such rights have expired by reason of lapse of time following notification of the Company's intent to file the Registration Statement.

(d) The Underwriters shall have received on the Closing Date and the Option Closing, as the case may be, an opinion of Morrison & Foerster LLP, counsel for the Underwriters, dated the Closing Date or the Option Closing, as the case may be, covering the matters referred to in Sections 5(c)(v), 5(c)(vi), 5(c) (viii) (but only as to the statements in the Prospectus under "Description of Capital Stock" and "Underwriters") and 5(c)(xi) above.

With respect to Section 5(c)(xi) above, Cooley Godward LLP and Morrison & Foerster LLP may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

The opinion of Cooley Godward LLP described in Section 5(c) above shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(e) The Underwriters shall have received, on each of the date hereof and the Closing Date and the Option Closing, as the case may be, a letter dated the Closing Date or the Option Closing, as the case may be, in form and substance satisfactory to the Underwriters, from PriceWaterhouseCoopers LLP, independent public accountants, containing statements and information of the

type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus.

(f) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain shareholders, officers and directors of the Company relating to

sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the Option Closing Date of such documents as you may reasonably request with respect to the existence of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares.

6. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, four signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending _____ ____, 2000 that satisfies the provisions of Section 11(a) of the Securities Act and the Rules.

(f) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc., (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the Nasdaq National market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, (ix) all reasonable fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program, and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 7 entitled "Indemnity and Contribution", and the last paragraph of Section 9 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

(g) To advise you, promptly after it shall receive notice or obtain knowledge thereof of the issuance of any stop order by the Commission suspending the effectiveness of the Registration Statement or the use of the Prospectus or of the initiation or threat of any proceeding for that purpose; and to promptly use its best efforts to prevent the issuance of any such stop

order or to obtain its withdrawal at the earliest possible moment if such stop order should be issued.

(h) During a period of five years after the date hereof, as soon as practicable after the end of the each respective period, to furnish to its shareholders annual reports (including financial statements audited by independent certified public accountants) and furnish to its shareholders unaudited quarterly reports of operations for each of the first three quarters of the fiscal year, and to, upon request, furnish to you and the other several Underwriters hereunder (i) concurrently with making such reports available to its shareholders, statements of operations of the Company for each of the first three quarters in the form made available to the Company's shareholders; (ii) concurrently with the furnishing thereof to its shareholders, a balance sheet of the Company as of the end of such fiscal year, together with statements of operations, of shareholders' equity and of cash flow of the Company for such

fiscal year, accompanied by a copy of the certificate or report thereon of nationally recognized independent certified public accountants; (iii) concurrently with the furnishing of such reports to its shareholders, copies of all reports (financial or other) mailed to shareholders; and (iv) as soon as they are available, copies of all reports and financial statements furnished to or filed with the Commission, any securities exchange or the Nasdaq National Market by the Company (except for documents for which confidential treatment is requested). During such five-year period, if the Company shall have any active subsidiaries, the foregoing financial statements shall be on a consolidated basis to the extent that the accounts of the Company are consolidated with any subsidiaries, and shall be accompanied by similar financial statements for any significant subsidiary that is not so consolidated.

(i) In connection with the Directed Share Program, to ensure that the Directed Shares will be restricted to the extent required by the NASD or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement. Morgan Stanley will notify the Company as to which Participants will need to be so restricted. The Company will direct the transfer agent to place stop transfer restrictions upon such securities for such period of time.

7. Indemnity and Contribution. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein; provided, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any

such losses, claims, damages or liabilities purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure is the result of noncompliance by the Company with Section 6(a) hereof.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 7(a) or 7(b), such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel

reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Morgan Stanley & Co. Incorporated, in the case of parties indemnified pursuant to Section 7(a), and by the Company, in the case of parties indemnified pursuant to Section 7(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request

and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in Section 7(a) or 7(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 7(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 7(d)(i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties, relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the

respective number of Shares they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 7(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent

misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 7 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

8. Directed Share Program Indemnification. (a) The Company agrees to indemnify and hold harmless Morgan Stanley and each person, if any, who controls Morgan Stanley within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act ("MORGAN STANLEY ENTITIES"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant has agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of Morgan Stanley Entities.

(b) In case any proceeding (including any governmental investigation) shall be instituted involving any Morgan Stanley Entity in respect of which indemnity may be sought pursuant to Section 8(a), the Morgan Stanley Entity seeking indemnity shall promptly notify the Company in writing and the Company, upon request of the Morgan Stanley Entity, shall retain counsel reasonably satisfactory to the Morgan Stanley Entity to represent the Morgan Stanley Entity and any other the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Morgan Stanley Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Morgan Stanley Entity unless (i) the Company shall have agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Morgan Stanley Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not, in respect of the legal expenses of the Morgan

Stanley Entities in connection with any proceeding or related proceedings the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Morgan Stanley Entities. Any such firm for the Morgan Stanley Entities shall be designated in writing by Morgan Stanley. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to

indemnify the Morgan Stanley Entities from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time a Morgan Stanley Entity shall have requested the Company to reimburse it for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed the Morgan Stanley Entity in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of Morgan Stanley, effect any settlement of any pending or threatened proceeding in respect of which any Morgan Stanley Entity is or could have been a party and indemnity could have been sought hereunder by such Morgan Stanley Entity, unless such settlement includes an unconditional release of the Morgan Stanley Entities from all liability on claims that are the subject matter of such proceeding.

(c) To the extent the indemnification provided for in Section 8(a) is unavailable to a Morgan Stanley Entity or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then the Company, in lieu of indemnifying the Morgan Stanley Entity thereunder, shall contribute to the amount paid or payable by the Morgan Stanley Entity as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand from the offering of the Directed Shares or (ii) if the allocation provided by clause 8(c)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(c)(i) above but also the relative fault of the Company on the one hand and of the Morgan Stanley Entities on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and of the Morgan Stanley Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Morgan Stanley Entities for the Directed Shares, bear to the aggregate Public Offering Price of the Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of a material fact, the relative fault of the Company on the one hand and the Morgan Stanley Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the Company or by the Morgan Stanley Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Company and the Morgan Stanley Entities agree that it would not be just or equitable if contribution pursuant to this Section 8 were determined by pro rata allocation (even if the Morgan Stanley Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 8(c). The amount paid or payable by the Morgan Stanley Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by the Morgan Stanley Entities in connection with investigating or

defending any such action or claim. Notwithstanding the provisions of this Section 8, no Morgan Stanley Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Morgan Stanley Entity has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Morgan Stanley Entity at law or in equity.

(e) The indemnity and contribution provisions contained in this Section 8 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Morgan Stanley Entity or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.

9. Termination. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses 9(a)(i) through 9(a)(iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

10. Effectiveness; Defaulting Underwriters. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 10 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with

respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option to (i)

terminate their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

11. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

12. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

13. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

InterNAP Network Services Corporation

By:

Name:
Title:

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated
Credit Suisse First Boston
Donaldson, Lufkin & Jenrette
Hambrecht & Quist

Acting severally on behalf of
themselves and the several
Underwriters named in Schedule I hereto.

By: Morgan Stanley & Co. Incorporated

By:

Name:
Title:

SCHEDULE I

Underwriter	Number of Firm Shares To Be Purchased

Morgan Stanley & Co. Incorporated

Credit Suisse First Boston

Donaldson, Lufkin & Jenrette

Hambrecht & Quist

Total	-------------- ==========

EXHIBIT A

[FORM OF LOCK-UP LETTER]

_____, 1999

Morgan Stanley Dean Witter & Co. Incorporated
Credit Suisse First Boston
Donaldson, Lufkin & Jenrette
Hambrecht & Quist
c/o Morgan Stanley & Co. Incorporated
1585 Broadway

New York, NY 10036

Dear Sirs and Mesdames:

The undersigned understands that Morgan Stanley & Co. Incorporated ("MORGAN STANLEY") proposes to enter into an Underwriting Agreement (the "UNDERWRITING AGREEMENT") with InterNAP Network Services Corporation, a Washington corporation (the "COMPANY"), providing for the public offering (the "PUBLIC OFFERING") by the several Underwriters, including Morgan Stanley (the "UNDERWRITERS"), of shares (the "SHARES") of the Common Stock ($.001 par value) of the Company (the "COMMON STOCK").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date of the final prospectus relating to the Public Offering (the "PROSPECTUS"), and ending 180 days after such date of the Prospectus, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the sale of any Shares to the Underwriters pursuant to the Underwriting Agreement, (b) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering, (c) if the undersigned is an individual, transfers of any shares of the Common Stock or securities convertible into or exchangeable or exercisable for the Common Stock either during his or her lifetime or on death by will or intestacy to his or her immediate family or to a trust the beneficiaries of which are exclusively the undersigned and/or a member or members of his or her

immediate family or (d) if the undersigned is a corporation or a partnership, transfers of shares of Common Stock or securities convertible into or

exchangeable or exercisable for the Common Stock as a distribution to partners or shareholders of the undersigned; provided, however, that prior to any such transfer in clause (c) or (d) above each transferee shall execute an agreement, satisfactory to Morgan Stanley, pursuant to which each transferee shall agree to receive and hold such shares of Common Stock, or securities convertible into or exchangeable or exercisable for the Common Stock, subject to the provisions hereof, and there shall be no further transfer except in accordance with the provisions hereof. For the purposes of this paragraph, "immediate family" shall mean spouse, lineal descendant, father, mother, brother or sister of the transferor.

In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

It is understood that, if the Company notifies you that it does not intend to proceed with the Public Offering, if the Underwriting Agreement does not become effective, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Shares, the undersigned will be released from the undersigned's obligations under this agreement.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

(Name)

(Address)

8,700,000 SHARES

INTERNAP NETWORK SERVICES CORPORATION

$0.001 PAR VALUE

UNDERWRITING AGREEMENT

_____, 1999

EXHIBIT 5.1

[COOLEY GODWARD LLP LETTERHEAD]

September 7, 1999

InterNAP Network Services Corporation
601 Union Street, Suite 1000
Seattle, WA 98101

Ladies and Gentlemen:

You have requested our opinion with respect to certain matters in connection with the filing by InterNAP Network Services Corporation (the "Company") of a Registration Statement on Form S-1 (the "Registration Statement") with the Securities and Exchange Commission (the "Commission") covering an underwritten public offering of up to ten million five thousand (10,005,000) shares of Common Stock (the "Common Stock").

In connection with this opinion, we have (i) examined and relied upon the Registration Statement and related Prospectus, the Company's Articles of Incorporation,as amended, and Bylaws, as currently in effect, and the originals or copies certified to our satisfaction of such records, documents, certificates, memoranda and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below; (ii) assumed that the Amended and Restated Articles of Incorporation, as set forth in Exhibit 3.2 of the Registration Statement, shall have been duly approved and filed with the office of the Washington Secretary of State; and (iii) that the shares of Common Stock will be sold by the Underwriters at a price established by the Pricing Committee of the Board of Directors of the Company.

On the basis of the foregoing, and in reliance thereon, we are of the opinion that the Common Stock, when sold and issued in accordance with the Registration Statement and related Prospectus, will be validly issued, fully paid and non-assessable.

We consent to the reference to our firm under the caption "Legal Matters" in the Prospectus included in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

COOLEY GODWARD LLP

By: /s/ CHRISTOPHER W. WRIGHT

Christopher W. Wright

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EXHIBIT 10.19

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT
INTERNAP NETWORK SERVICES CORPORATION

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THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT is dated June 30, 1999, between SILICON VALLEY BANK ("Bank"), whose address is 3003 Tasman Drive, Santa Clara, California 95054 with a loan production office located at 915 118th Ave. S.E., Ste. 250, Bellevue, Washington 98005 and INTERNAP NETWORK SERVICES CORPORATION ("Borrower"), whose address is Two Union, 601 Union Street, Suite 1000, Seattle, Washington 98101-4064.

RECITALS

A. Bank and Borrower are parties to that certain QuickStart Loan and Security Agreement, together with all Schedules made a part thereof, dated November 3, 1997, as amended (collectively, the "Original Agreement").

B. Borrower and Bank desire in this Agreement to set forth their agreement with respect to a working capital loan and to amend and restate in its entirety without novation the Original Agreement in accordance with the provisions herein.

AGREEMENT

The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement will be construed following GAAP. Calculations and determinations must be made following GAAP. The term "financial statements" includes the notes and schedules. The terms "including" and "includes" always mean "including (or includes) without limitation," in this or any Loan Document. This Agreement shall be construed to impart upon Bank a duty to act reasonably at all times.

2 LOAN AND TERMS OF PAYMENT

2.1 CREDIT EXTENSIONS.

Borrower will pay Bank the unpaid principal amount of all Credit Extensions and interest on the unpaid principal amount of the Credit Extensions, when due.

2.1.1 REVOLVING ADVANCES.

(a) Bank will make Advances not exceeding the lesser of (A) the Committed Revolving Line minus the QuickStart Payoff minus the Cash Management Services Sublimit or (B) the Borrowing Base. Amounts borrowed under this Section may be repaid and reborrowed during the term of this Agreement. Notwithstanding the foregoing, the QuickStart Payoff will not be subject to the Borrowing Base until the earlier to occur of: (a) June 30, 1999 or (b) Borrower's ability to support the QuickStart Payoff under the Borrowing Base.

(b) To obtain an Advance, Borrower must notify Bank by facsimile or telephone by 3:00 p.m. Pacific time on the Business Day the Advance is to be made. Borrower must promptly confirm the notification by delivering to Bank the Payment/Advance Form attached as Exhibit B. Bank will credit Advances to Borrower's deposit account. Bank may make Advances under this Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Advances are necessary to meet Obligations which have become due. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee. Borrower will indemnify Bank for any loss Bank suffers due to reliance.

(c) The Committed Revolving Line terminates on the Revolving Maturity Date, when all Advances and other amounts due under this Agreement are immediately payable.

2.1.2 CASH MANAGEMENT SERVICES SUBLIMIT.

Borrower may use up to $300,000 for Bank's Cash Management Services, which may include, business credit card services identified in various cash management services agreements related to such services (the "Cash Management Services"). All amounts Bank pays for any Cash Management Services will be treated as Advances under the Committed Revolving Line.

2.2 OVERADVANCES.

If Borrower's Obligations under Section 2.1.1 and Section 2.1.2 exceed the Committed Revolving Line or obligations under Section 2.1.1 exceed the Borrowing Base, Borrower must immediately pay Bank the excess.

2.3 INTEREST RATE, PAYMENTS.

(a) Interest Rate. Advances accrue interest on the outstanding principal balance at a per annum rate of 1.00 percentage point above the Prime Rate. After an Event of Default, Obligations accrue interest at 5 percent above the rate effective immediately before the Event of Default. The interest rate increases or decreases when the Prime Rate changes. Interest is computed on a 360 day year for the actual number of days elapsed.

(b) Payments. Interest due on the Committed Revolving Line is payable on the last day of each month. Bank may debit any of Borrower's deposit accounts including Account Number _____ for principal and

interest payments or any amounts Borrower owes Bank. Bank will notify Borrower when it debits Borrower's accounts. These debits are not a set-off. Payments received after 2:00 p.m. Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest accrue.

2.4 FEES.

Borrower will pay:

(a) Facility Fee. A fully earned, non-refundable Facility Fee of $6,000 due on the Closing Date; and

(b) Bank Expenses. All Bank Expenses (including reasonable attorneys' fees and expenses) incurred through and after the date of this Agreement, are payable when due.

3 CONDITIONS OF LOANS

3.1 CONDITIONS PRECEDENT TO INITIAL CREDIT EXTENSION.

Bank's obligation to make the initial Credit Extension is subject to;

(a) The condition precedent that it receive the agreements, documents and fees it requires; and

(b) Borrower's initial Credit Extension shall be used to payoff Borrower's existing QuickStart facility with Bank in an amount equal to the QuickStart Payoff. Notwithstanding the foregoing, the QuickStart Payoff will not be subject to the Borrowing Base until the earlier to occur of: (a) June 30, 1999 or (b) Borrower's ability to support the QuickStart Payoff under the Borrowing Base.

3.2 CONDITIONS PRECEDENT TO ALL CREDIT EXTENSIONS.

Bank's obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) timely receipt of any Payment/Advance Form as specified in Section 2.1.1 above; and

(b) the representations and warranties in Section 5 must be materially true on the date of the Payment/Advance Form and on the effective date of each Credit Extension except as otherwise disclosed to Bank and no Event of Default may have occurred and be continuing, or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties of Section 5 remain true except as otherwise disclosed to Bank.

4 CREATION OF SECURITY INTEREST

4.1 GRANT OF SECURITY INTEREST.

Borrower grants Bank a continuing security interest in all presently existing and later acquired Collateral to secure all Obligations and performance of each of Borrower's duties under the Loan Documents. Except for Permitted Liens, any security interest will be a first priority security interest in the Collateral. Bank may place a "hold" on any deposit account pledged as Collateral.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 DUE ORGANIZATION AND AUTHORIZATION.

Borrower and each Subsidiary is duly existing and in good standing in its state of formation and qualified and licensed to do business in, and in good standing in, any state in which the conduct of its business or its ownership of

property requires that it be qualified except where failure to so qualify would have a material adverse effect on Borrower.

The execution, delivery and performance of the Loan Documents have been duly authorized, and do not conflict with Borrower's formation documents, nor constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which or by which it is bound in which the default could cause a Material Adverse Change.

5.2 COLLATERAL.

Borrower has good title to the Collateral, free of Liens except Permitted Liens. The Accounts are bona fide, existing obligations, and the service or property has been performed or delivered to the account debtor or its agent for immediate shipment to and unconditional acceptance by the account debtor. Borrower has no notice of any actual or imminent Insolvency Proceeding of any account debtor whose accounts are an Eligible Account in any Borrowing Base Certificate. All Inventory is in all material respects of good and marketable quality, free from material defects.

5.3 LITIGATION.

Except as shown in the Schedule, there are no actions or proceedings pending or, to Borrower's knowledge, threatened by or against Borrower or any Subsidiary in which an adverse decision could cause a Material Adverse Change.

5.4 NO MATERIAL ADVERSE CHANGE IN FINANCIAL STATEMENTS.

All consolidated financial statements for Borrower, and any Subsidiary, delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.5 SOLVENCY.

The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; the Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.6 REGULATORY COMPLIANCE.

Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations G, T and U of the Federal Reserve Board of Governors). Borrower has complied with the Federal Fair Labor Standards Act. Borrower has not violated any laws, ordinances or rules, the violation of which could cause a Material Adverse Change. None of Borrower's or any Subsidiary's properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each Subsidiary has timely filed all required tax returns and paid, or made adequate provision to pay, all taxes, except those being contested in good faith with adequate reserves under GAAP. Borrower and each Subsidiary has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all government authorities that are necessary to continue its business as currently conducted.

5.7 SUBSIDIARIES.

Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.8 FULL DISCLOSURE.

No representation, warranty or other statement of Borrower in any

certificate or written statement given to Bank contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading.

6 AFFIRMATIVE COVENANTS

Borrower will do all of the following:

6.1 GOVERNMENT COMPLIANCE.

Borrower will maintain its and all Subsidiaries' legal existence and good standing in its jurisdiction of formation and maintain qualification in each jurisdiction in which the failure to so qualify could have a material adverse effect on Borrower's business or operations. Borrower will comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, noncompliance with which could have a material adverse effect on Borrower's business or operations or cause a Material Adverse Change.

6.2 FINANCIAL STATEMENTS, REPORTS, CERTIFICATES.

(a) Borrower will deliver to Bank: (i) as soon as available, but no later than 30 days after the last day of each month, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations during the period, in a form and certified by a Responsible Officer acceptable to Bank; (ii) as soon as available, but no later than 90 days after the last day of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm acceptable to Bank; (iii) a prompt report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary

of $100,000 or more; and (iv) budgets, sales projections, operating plans or other financial information Bank requests.

(b) Within 30 days after the last day of each month, Borrower will deliver to Bank a Borrowing Base Certificate signed by a Responsible Officer in the form of Exhibit C together with a subscriber report.

(c) Within 30 days after the last day of each month, Borrower will deliver to Bank with the monthly financial statements a Compliance Certificate signed by a Responsible Officer in the form of Exhibit D.

(d) Bank has the right to audit Borrower's Collateral at Borrower's expense, if an Event of Default has occurred and is continuing.

6.3 INVENTORY; RETURNS.

Borrower will keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its account debtors will follow Borrower's customary practices as they exist at execution of this Agreement. Borrower must promptly notify Bank of all returns, recoveries, disputes and claims, that involve more than $50,000.

6.4 TAXES.

Borrower will make, and cause each Subsidiary to make, timely payment of all material federal, state, and local taxes or assessments and will deliver to Bank, on demand, appropriate certificates attesting to the payment.

6.5 INSURANCE.

Borrower will keep its business and the Collateral insured for risks and in amounts, as Bank requests. Insurance policies will be in a form, with companies, and in amounts that are satisfactory to Bank. All property policies will have a lender's loss payable endorsement showing Bank as an additional loss payee and all liability policies will show the Bank as an additional insured and provide that the insurer must give Bank at least 20 days notice before canceling its policy. At Bank's request, Borrower will deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy

relating to Collateral to the extent not subject to a Permitted Lien, will, at Bank's option, be payable to Bank on account of the Obligations. Statutory notice regarding insurance:

WARNING

Unless you provide us with evidence of the insurance coverage as required by our contract or loan agreement, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

This coverage we purchased may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

6.6 PRIMARY ACCOUNTS.

Borrower will maintain a depository account with Bank.

6.7 FINANCIAL COVENANTS.

Borrower will maintain as of the last day of each month:

(i) QUICK RATIO. A ratio of Quick Assets to Current Liabilities of at least 1.50 to 1.00 or have available commitments of at least twice the outstanding loan amount.

(ii) TANGIBLE NET WORTH. A Tangible Net Worth of at least $25,000,000 for the quarter ended March 31, 1999; $15,000,000 for the quarter ending June 30, 1999; $4,000,000 for the quarter ending September 30, 1999; and $50,000,000 for the quarter ending December 31, 1999, and thereafter.

(iii) MONTHLY REVENUE LEVEL. Borrower shall not report a decline in the revenue on a rolling, three month average.

6.8 FURTHER ASSURANCES.

Borrower will execute any further instruments and take further action as Bank requests to perfect or continue Bank's security interest in the Collateral or to effect the purposes of this Agreement.

7 NEGATIVE COVENANTS

Borrower will not do any of the following:

7.1 DISPOSITIONS.

Convey, sell, lease, transfer or otherwise dispose of (collectively "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, other than Transfers (i) of Inventory in the ordinary course of business; (ii) of non-exclusive licenses and exclusive licenses in geographic regions and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; (iii) of worn-out or obsolete Equipment; (iv) sale leaseback transactions; (v) Permitted Investments; or (vi) Permitted Liens.

7.2 CHANGES IN BUSINESS, OWNERSHIP, MANAGEMENT OR BUSINESS LOCATIONS.

Engage in or permit any of its Subsidiaries to engage in any business

other than the businesses currently engaged in by Borrower or have a material change in its ownership of greater than 49%. Borrower will not, without at least 30 days prior written notice, relocate its chief executive office or add any new offices or business locations.

7.3 MERGERS OR ACQUISITIONS.

Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person, except where (i) no Event of Default has occurred and is continuing or would result from such action during the term of this Agreement and (ii) result in a decrease of more than 25% of Tangible Net Worth. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 INDEBTEDNESS.

Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 ENCUMBRANCE.

Create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted here.

7.6 DISTRIBUTIONS; INVESTMENTS.

Directly or indirectly acquire or own any Person, or make any Investment in any Person, other than Permitted Investments, or permit any of its Subsidiaries to do so. Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock; provided, that Borrower may redeem or repurchase its securities in connection with any agreement between Borrower and any officer, director or employee of Borrower wherein Borrower is obligated or entitled to repurchase from such officer, director or employee share of equity securities of Borrower upon such person's termination of employment or services or other event not to exceed $500,000.

7.7 TRANSACTIONS WITH AFFILIATES.

Directly or indirectly enter or permit any material transaction with any Affiliate except transactions that are in the ordinary course of Borrower's business, on terms less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.8 SUBORDINATED DEBT.

Make or permit any payment on any Subordinated Debt, except under the terms of the Subordinated Debt, or amend any provision in any document relating to the Subordinated Debt without Bank's prior written consent.

7.9 COMPLIANCE.

Become an "investment company" or a company controlled by an "investment company," under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock, or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could have a material adverse effect on Borrower's business or operations or cause a Material Adverse Change, or permit any of its Subsidiaries to do so.

8 EVENTS OF DEFAULT

Any one of the following is an Event of Default:

8.1 PAYMENT DEFAULT.

If Borrower fails to pay any of the Obligations;

8.2 COVENANT DEFAULT.

If Borrower does not perform any obligation in Section 6 or violates any covenant in Section 7 or does not perform or observe any other material term, condition or covenant in this Agreement, any Loan

Documents, or in any agreement between Borrower and Bank and as to any default under a term, condition or covenant that can be cured, has not cured the default within 10 days after it occurs, or if the default cannot be cured within 10 days or cannot be cured after Borrower's attempts within 10 day period, and the default may be cured within a reasonable time, then Borrower has an additional period (of not more than 30 days) to attempt to cure the default. During the additional time, the failure to cure the default is not an Event of Default (but no Credit Extensions will be made during the cure period);

8.3 MATERIAL ADVERSE CHANGE.

(i) If there occurs a material impairment in the perfection or priority of the Bank's security interest in the Collateral or in the value of such Collateral which is not covered by adequate insurance or (ii) if the Bank determines, based upon information available to it and in its reasonable judgment, that there is a material impairment of the prospect of repayment of the Obligations..

8.4 ATTACHMENT.

If any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in 10 days, or if Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business or if a judgment or other claim becomes a Lien on a material portion of Borrower's assets, or if a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid within 10 days after Borrower receives notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower (but no Credit Extensions will be made during the cure period);

8.5 INSOLVENCY.

If Borrower becomes insolvent or if Borrower begins an Insolvency Proceeding or an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within 30 days (but no Credit Extensions will be made before any Insolvency Proceeding is dismissed);

8.6 OTHER AGREEMENTS.

If there is a default in any agreement between Borrower and a third party that gives the third party the right to accelerate any Indebtedness exceeding $100,000 or that could cause a Material Adverse Change;

8.7 JUDGMENTS.

If a money judgment(s) of at least $100,000 is rendered against Borrower and is unsatisfied and unstayed for 30 days (but no Credit Extensions will be made before the judgment is stayed or satisfied); or

8.8 MISREPRESENTATIONS.

If Borrower or any Person acting for Borrower makes any material misrepresentation or material misstatement now or later in any warranty or representation in this Agreement or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document.

9 BANK'S RIGHTS AND REMEDIES

9.1 RIGHTS AND REMEDIES.

When an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) Declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) Stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) Settle or adjust disputes and claims directly with account debtors for amounts, on terms and in any order that Bank considers advisable;

(d) Make any payments and do any acts it considers necessary or reasonable to protect its security interest in the Collateral. Borrower will assemble the Collateral if Bank requires and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(e) Apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(f) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral; and

(g) Dispose of the Collateral according to the Code.

9.2 POWER OF ATTORNEY.

Effective only when an Event of Default occurs and continues, Borrower irrevocably appoints Bank as its lawful attorney to: (i) endorse Borrower's name on any checks or other forms of payment or security; (ii) sign Borrower's name on any invoice or bill of lading for any Account or drafts against account debtors, (iii) make, settle, and adjust all claims under Borrower's insurance policies; (iv) settle and adjust disputes and claims about the Accounts directly with account debtors, for amounts and on terms Bank determines reasonable; and (v) transfer the Collateral into the name of Bank or a third party as the Code permits. Bank may exercise the power of attorney to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred. Bank's appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 ACCOUNTS COLLECTION.

When an Event of Default occurs and continues, Bank may notify any Person owing Borrower money of Bank's security interest in the funds and verify the amount of the Account. Borrower must collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the account debtor, with proper endorsements for deposit.

9.4 BANK EXPENSES.

If Borrower fails to pay any amount or furnish any required proof of payment to third persons Bank may make all or part of the payment or obtain insurance policies required in Section 6.5, and take any action under the policies Bank deems prudent. Any amounts paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then applicable rate and secured by the Collateral. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.5 BANK'S LIABILITY FOR COLLATERAL.

If Bank complies with reasonable banking practices it is not liable for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other person. Borrower bears all risk of loss, damage or destruction of the Collateral except for Bank's gross negligence and willful misconduct.

9.6 REMEDIES CUMULATIVE.

Bank's rights and remedies under this Agreement, the Loan Documents, and all other agreements are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay is not a waiver, election, or acquiescence. No waiver is effective unless signed by Bank and then is only effective for the specific instance and purpose for which it was given.

9.7 DEMAND WAIVER.

Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10 NOTICES

All notices or demands by any party about this Agreement or any other related agreement must be in writing and be personally delivered or sent by an overnight delivery service, by certified mail, postage prepaid, return receipt requested, or by telefacsimile to the addresses set forth at the beginning of this Agreement. A Party may change its notice address by giving the other Party written notice.

11 CHOICE OF LAW , VENUE AND JURY TRIAL WAIVER

Washington law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in King County, Washington.

BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 SUCCESSORS AND ASSIGNS.

This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights under it without Bank's prior written consent which may be granted or withheld in Bank's discretion. Bank has the right, without the consent of or notice to Borrower, to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights and benefits under this Agreement.

12.2 INDEMNIFICATION.

Borrower will indemnify, defend and hold harmless Bank and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities asserted by any other party in connection

with the transactions contemplated by the Loan Documents; and (b) all losses or Bank Expenses incurred, or paid by Bank from, following, or consequential to

transactions between Bank and Borrower (including reasonable attorneys fees and expenses), except for losses caused by Bank's gross negligence or willful misconduct.

12.3 TIME OF ESSENCE.

Time is of the essence for the performance of all obligations in this Agreement.

12.4 SEVERABILITY OF PROVISION.

Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.5 AMENDMENTS IN WRITING, INTEGRATION.

All amendments to this Agreement must be in writing and signed by Borrower and Bank. This Agreement represents the entire agreement about this subject matter, and supersedes prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement merge into this Agreement and the Loan Documents. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW. UNDER OREGON OR WASHINGTON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE BANK AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE.

12.6 COUNTERPARTS.

This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

12.7 SURVIVAL.

All covenants, representations and warranties made in this Agreement continue in full force while any Obligations remain outstanding. The obligations of Borrower in Section12.2 to indemnify Bank will survive until all statutes of limitations for actions that may be brought against Bank have run.

12.8 CONFIDENTIALITY.

In handling any confidential information, Bank will exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made (i) to Bank's subsidiaries or affiliates in connection with their business with Borrower, (ii) to prospective transferees or purchasers of any interest in the Loans, (iii) as required by law, regulation, subpoena, or other order, (iv) as required in connection with Bank's examination or audit and (v) as Bank considers appropriate exercising remedies under this Agreement. Confidential information does not include information that either: (a) is in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (b) is disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

12.9 EFFECT OF AMENDMENT AND RESTATEMENT.

This Agreement is intended to and does completely amend and restate, without novation, the Original Agreement. All credit extensions or loans outstanding under the Original Agreement are and

shall continue to be outstanding under this Agreement. All security interests granted under the Original Agreement are hereby confirmed and ratified and shall continue to secure all Obligations under this Agreement.

12.10 ATTORNEYS' FEES, COSTS AND EXPENSES.

In any action or proceeding between Borrower and Bank arising out of the

Loan Documents, the prevailing party will be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

13 DEFINITIONS

13.1 DEFINITIONS.

In this Agreement:

"ACCOUNTS" are all existing and later arising accounts, contract rights, and other obligations owed Borrower in connection with its sale or lease of goods (including licensing software and other technology) or provision of services, all credit insurance, guaranties, other security and all merchandise returned or reclaimed by Borrower and Borrower's Books relating to any of the foregoing.

"ADVANCE" or "ADVANCES" is a loan advance (or advances) under the Committed Revolving Line.

"AFFILIATE" of a Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"BASE SUBSCRIBER RATE" means the recurring monthly revenue received by Borrower per Subscriber, on a rolling three month basis.

"BANK EXPENSES" are all audit fees and expenses and reasonable costs or expenses (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including appeals or Insolvency Proceedings).

"BORROWER'S BOOKS" are all Borrower's books and records including ledgers, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition and all computer programs or discs or any equipment containing the information.

"BORROWING BASE" is QuickStart Payoff plus the percentage (set forth below) of the prior rolling three month Base Subscriber Rate as determined by Bank from Borrower's most recent Borrowing Base Certificate, adjusted as follows:

MONTHLY CHURN RATE	BORROWING BASE
Less than 5%	80%
5% to 7%	75%
10% to 12%	65%

"BUSINESS DAY" is any day that is not a Saturday, Sunday or a day on which the Bank is closed.

"CASH MANAGEMENT SERVICES" are defined in Section 2.1.2.

"CHURN RATE" means the average monthly cancellations of services provided to Subscribers, on a rolling three (3) month basis, divided by the number of Subscribers as of the last day of the month being measured.

"CLOSING DATE" is the date of this Agreement.

"CODE" is the Washington Uniform Commercial Code.

"COLLATERAL" is the property described on Exhibit A.

"COMMITTED REVOLVING LINE" is an Advance of up to $3,000,000.

"CONTINGENT OBLIGATION" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (i) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (ii) any obligations for undrawn letters of credit for the account of that Person; and (iii) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under the guarantee or other support arrangement.

"CREDIT EXTENSION" is each Advance or any other extension of credit by Bank for Borrower's benefit.

"CURRENT LIABILITIES" are the aggregate amount of Borrower's Total Liabilities which mature within one (1) year.

"EQUIPMENT" is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest.

"ERISA" is the Employment Retirement Income Security Act of 1974, and its regulations.

"GAAP" is generally accepted accounting principles.

"INDEBTEDNESS" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations and (d) Contingent Obligations.

"INSOLVENCY PROCEEDING" are proceedings by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"INVENTORY" is present and future inventory in which Borrower has any interest, including merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or later owned by or in the custody or possession, actual or constructive, of Borrower, including inventory temporarily out of its custody or possession or in transit and including returns on any accounts or other proceeds (including insurance proceeds) from the sale or disposition of any of the foregoing and any documents of title.

"INVESTMENT" is any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

"LIEN" is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"LOAN DOCUMENTS" are, collectively, this Agreement, any note, or notes or guaranties executed by Borrower or Guarantor, and any other present or future agreement between Borrower and/or for the benefit of Bank in connection with this Agreement, all as amended, extended or restated.

"MATERIAL ADVERSE CHANGE" is defined in Section 8.3.

"OBLIGATIONS" are debts, principal, interest, Bank Expenses and other amounts Borrower owes Bank now or later under the Agreement or any other Loan Document, including letters of credit and exchange contracts, cash management services, and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank.

"ORIGINAL AGREEMENT" has the meaning set forth in recital paragraph A.

"PERMITTED INDEBTEDNESS" is:

(a) Borrower's indebtedness to Bank under this Agreement or any other Loan Document;

(b) Indebtedness existing on the Closing Date and shown on the Schedule;

(c) Subordinated Debt;

(d) Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness secured by Permitted Liens;

(f) Other Indebtedness of Borrower, not exceeding $500,000 in the aggregate outstanding at any time;

(g) Indebtedness with respect to capital lease obligations (including leases of real property);

(h) Prepaid royalties and deferred revenue in connection with prepaid support services not to exceed $500,000;

(i) Indebtedness of up to $7,500,000 to Finova Capital Corporation in connection with an equipment loan; and

(j) Extensions, renewals, refundings, refinancings, modifications, amendments and restatements of any of the items of Permitted Indebtedness (a) through (j) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower.

"PERMITTED INVESTMENTS" are:

(a) Investments shown on the Schedule and existing on the Closing Date;

(b) (i) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any State maturing within 1 year from its acquisition, (ii) commercial paper maturing no more than 1 year after its creation and having the highest rating from either Standard & Poor's Corporation or Moody's Investors Service, Inc., and (iii) Bank's certificates of deposit issued maturing no more than 1 year after issue;

(c) Extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business;

(d) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(e) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with customers or suppliers arising in the ordinary course of business;

(f) Investments consisting of (i) travel advances, employee relocation loans and other employee loans and advances in the ordinary course of business not to exceed $500,000, (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower, and (iii) other loans to officers and employees approved by the Board of Directors;

(g) Investments in Morgan Stanley Auction Rate Preferred; and

(h) other Investments aggregating not in excess of $500,000 at any time.

"PERMITTED LIENS" are:

(a) Liens existing on the Closing Date and shown on the Schedule or arising under this Agreement or other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its Books, if they have no priority over any of Bank's security interests;

(c) Purchase money Liens (i) on Equipment acquired or held by Borrower or its Subsidiaries incurred for financing the acquisition of the Equipment, (ii) existing on equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the equipment, or (iii) lien on up to $2,500,000 of existing Equipment to be encumbered relation to an equipment loan;

(d) Leases or subleases and licenses or sublicenses granted in the ordinary course of Borrower's business and any interest or title of a lessor, licensor or under any lease or license, if the leases, subleases, licenses and sublicenses permit granting Bank a security interest;

(e) Liens securing capital lease obligations on assets subject to such capital leases;

(f) Liens on equipment leased by Borrower pursuant to an operating lease (including sale-leaseback transactions) in the ordinary course of business (including proceeds thereof and accessions thereto) incurred solely for the purpose of financing the lease of such equipment (including Liens arising from UCC financing statements regarding leases permitted by this Agreement);

(g) Easements, reservations, rights-of-way, restrictions, minor defects or irregularities in title and other similar Liens affecting real property not interfering in any material respect with the ordinary conduct of the business or Borrower;

(h) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties in connection with the importation of goods;

(i) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution;

(j) Liens on Equipment in favor of Finova Capital Corporation and other Equipment Lenders, which Liens do not in the aggregate exceed $7,500,000 at any time; and

(k) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c) above, but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase.

"PERSON" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company association, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"PRIME RATE" is Bank's most recently announced "prime rate," even if it is not Bank's lowest rate.

"QUICK ASSETS" is, on any date, the Borrower's consolidated, unrestricted cash, cash equivalents, net billed accounts receivable and investments with maturities of fewer than 12 months determined according to

GAAP.

"QUICKSTART PAYOFF" is the amount necessary to fully repay Borrower's outstanding Quickstart facility with Bank.

"RESPONSIBLE OFFICER" is each of the Chief Executive Officer, the President, the Chief Financial Officer and the Controller of Borrower or other such person specifically authorized by Borrower..

"REVOLVING MATURITY DATE" is June 30, 2000.

"SCHEDULE" is any attached schedule of exceptions.

"SUBORDINATED DEBT" is debt incurred by Borrower subordinated to Borrower's debt to Bank (and identified as subordinated by Borrower and Bank).

"SUBSCRIBER" means a customer and paid subscriber of Borrower services.

"SUBSIDIARY" is for any Person, or any other business entity of which more than 50% of the voting stock or other equity interests is owned or controlled, directly or indirectly, by the Person or one or more Affiliates of the Person.

"TANGIBLE NET WORTH" is, on any date, the consolidated total assets of Borrower and its Subsidiaries including non-current Subordinated Debt, minus, (i) any amounts attributable to (a) goodwill, (b) intangible items such as unamortized debt discount and expense, Patents, trade and service marks and names, Copyrights and research and development expenses except prepaid expenses, and (c) reserves not already deducted from assets, and (ii) Total Liabilities excluding Subordinated Debt.

"TOTAL LIABILITIES" is on any day, obligations that should, under GAAP, be classified as liabilities on Borrower's consolidated balance sheet, including all Indebtedness, and current portion Subordinated Debt allowed to be paid, but excluding all other Subordinated Debt.

BORROWER:

INTERNAP NETWORK SERVICES CORPORATION

By: /s/ JEFF ARROWSMITH

Title: Director of Finance

BANK:

SILICON VALLEY BANK

By: /s/ C. D. GRANT

Title: Vice President

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following:

All goods and equipment (other than equipment financed elsewhere) now owned or hereafter acquired, including, without limitation, all machinery, fixtures, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the

foregoing, wherever located;

All inventory, now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products including such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Borrower's Books relating to any of the foregoing;

All contract rights and general intangibles now owned or hereafter acquired, including, without limitation, goodwill, leases, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, claims, literature, reports, catalogs, income tax refunds, payments of insurance and rights to payment of any kind;

All now existing and hereafter arising accounts, contract rights, royalties, license rights and all other forms of obligations owing to Borrower arising out of the sale or lease of goods, the licensing of technology or the rendering of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's Books relating to any of the foregoing;

All documents, cash, deposit accounts, securities, securities entitlements, securities accounts, investment property, financial assets, letters of credit, certificates of deposit, instruments and chattel paper now owned or hereafter acquired and Borrower's Books relating to the foregoing (excluding cash pledged to another party); and

Any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof.

NOTWITHSTANDING THE FOREGOING, THE COLLATERAL SHALL NOT BE DEEMED TO INCLUDE ANY COPYRIGHTS, COPYRIGHT APPLICATIONS, COPYRIGHT REGISTRATION AND LIKE PROTECTION IN EACH WORK OF AUTHORSHIP AND DERIVATIVE WORK THEREOF, WHETHER PUBLISHED OR UNPUBLISHED, NOW OWNED OR HEREAFTER ACQUIRED; ANY PATENTS, PATENT APPLICATIONS AND LIKE PROTECTIONS INCLUDING WITHOUT LIMITATION IMPROVEMENTS, DIVISIONS, CONTINUATIONS, RENEWALS, REISSUES, EXTENSIONS AND CONTINUATIONS-IN-PART OF THE SAME, TRADEMARKS, SERVICEMARKS AND APPLICATIONS THEREFOR, WHETHER REGISTERED OR NOT, AND THE GOODWILL OF THE BUSINESS OF BORROWER CONNECTED WITH AND SYMBOLIZED BY SUCH TRADEMARKS, ANY TRADE SECRET RIGHTS, INCLUDING ANY RIGHTS TO UNPATENTED INVENTIONS, KNOW-HOW, OPERATING MANUALS, LICENSE RIGHTS AND AGREEMENTS AND CONFIDENTIAL INFORMATION, NOW OWNED OR HEREAFTER ACQUIRED; OR ANY CLAIMS FOR DAMAGE BY WAY OF ANY PAST, PRESENT AND FUTURE INFRINGEMENT OF ANY OF THE FOREGOING (COLLECTIVELY, THE "INTELLECTUAL PROPERTY"), EXCEPT THAT THE COLLATERAL SHALL INCLUDE THE PROCEEDS OF ALL THE INTELLECTUAL PROPERTY THAT ARE ACCOUNTS, I.E. ACCOUNTS RECEIVABLE, OF BORROWER; AND TO THE EXTENT THAT THE BORROWER IS IN DEFAULT OF THIS AGREEMENT, IF A JUDICIAL AUTHORITY (INCLUDING A U.S. BANKRUPTCY COURT) HOLDS THAT A SECURITY INTEREST IN THE UNDERLYING INTELLECTUAL PROPERTY IS NECESSARY TO HAVE A SECURITY INTEREST IN SUCH ACCOUNTS OF BORROWER THAT ARE PROCEEDS OF THE INTELLECTUAL PROPERTY, THEN THE COLLATERAL SHALL INCLUDE THE INTELLECTUAL PROPERTY SOLELY TO THE EXTENT NECESSARY TO PERMIT PROTECTION OF BANK'S SECURITY INTEREST IN SUCH ACCOUNTS OF BORROWER THAT ARE PROCEEDS OF THE INTELLECTUAL PROPERTY.

EXHIBIT B

LOAN PAYMENT/ADVANCE TELEPHONE REQUEST FORM

DEADLINE FOR SAME DAY PROCESSING IS 3:00 P.M., P.S.T.

TO: CENTRAL CLIENT SERVICE DIVISION DATE: _____

FAX#: (408) 496-2426 TIME: _____

FROM: INTERNAP NETWORK SERVICES CORPORATION

CLIENT NAME (BORROWER)

REQUESTED BY:

AUTHORIZED SIGNER'S NAME

AUTHORIZED SIGNATURE:

PHONE NUMBER:

FROM ACCOUNT # TO ACCOUNT #

REQUESTED TRANSACTION TYPE	REQUESTED DOLLAR AMOUNT
PRINCIPAL INCREASE (ADVANCE)	$
PRINCIPAL PAYMENT (ONLY)	$
INTEREST PAYMENT (ONLY)	$
PRINCIPAL AND INTEREST (PAYMENT)	$

OTHER INSTRUCTIONS:

All Borrower's representations and warranties in the Amended and Restated Loan and Security Agreement are true, correct and complete in all material respects on the date of the telephone request for and Advance confirmed by this Borrowing Certificate; but those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of that date.

BANK USE ONLY

TELEPHONE REQUEST:

The following person is authorized to request the loan payment transfer/loan advance on the advance designated account and is known to me.

Authorized Requester Phone #

Received By (Bank) Phone #

Authorized Signature (Bank)

EXHIBIT C

BORROWING BASE CERTIFICATE

Borrower: INTERNAP NETWORK SERVICES CORPORATION Bank: Silicon Valley Bank
3003 Tasman Drive
Santa Clara, CA 95054

Commitment Amount: $3,000,000

BORROWING BASE

1. Total Subscribers as of _____	$_____
2. Base Subscriber Rate*	$_____
3. Additions (please explain on reverse)	$_____
4. Loan Value (80% of #2*)	$_____

*75% of #2 if Churn Rate is 5% to 7%

*65% of #2 if Churn Rate is 10% to 12%

BALANCES

5.	Maximum Loan Amount	$_____
6.	Total Funds Available [Lesser of #5 or #4]	$_____
7.	Present balance owing on Line of Credit	$_____
8.	Outstanding under Sublimits (Cash Management)	$_____
9.	QuickStart Payoff (through the earlier to occur of (a) ablility to be supported by the Borrowing Base or (b) 5/3/99)	$_____
10.	RESERVE POSITION (#6 minus #7, #8 and #9)	$_____

The undersigned represents and warrants that this is true, complete and correct, and that the information in this Borrowing Base Certificate complies with the representations and warranties in the Amended and Restated Loan and Security Agreement between the undersigned and Silicon Valley Bank.

COMMENTS:

INTERNAP NETWORK SERVICES CORPORATION

By: _____
Authorized Signer

_____
BANK USE ONLY
Rec'd By: _____
Auth. Signer
Date: _____
Verified:_____
Auth. Signer
Date:_____
_____

EXHIBIT D

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK

3003 Tasman Drive
Santa Clara, CA 95054

FROM: INTERNAP NETWORK SERVICES CORPORATION

The undersigned authorized officer of INTERNAP NETWORK SERVICES CORPORATION ("Borrower") certifies that under the terms and conditions of the Amended and Restated Loan and Security Agreement between Borrower and Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below and (ii) all representations and warranties in the Agreement are true and correct in all material respects on this date. Attached are the required documents supporting the certification. The Officer certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The Officer acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered.

PLEASE INDICATE COMPLIANCE STATUS BY CIRCLING YES/NO UNDER "COMPLIES" COLUMN.

REPORTING COVENANT	REQUIRED	COMPLIES	
Monthly financial statements+Comp. Cert	Monthly within 30 days	Yes	No
Annual (Audited)	FYE within 90 days*	Yes	No
Borrowing Base Certificate + Subscriber report	Monthly within 30 days	Yes	No

*120 days for 1998FYE.

FINANCIAL COVENANT	REQUIRED	ACTUAL	COMPLIES	
Maintain on a Monthly Basis:				
Minimum Quick Ratio	1.50:1.00	_____:1.00	Yes	No
Minimum Tangible Net Worth	*	$_____	Yes	No
Monthly Pre-billed revenue level	No decline on a rolling 3 month average	$_____	Yes	No

* of at least $25,000,000 the quarter ended March 31, 1999; $15,000,000 for the quarter ending June 30, 1999; $4,000,000 for the quarter ending September 30, 1999; and $50,000,000 for the quarter ending December 31, 1999, and thereafter.

COMMENTS REGARDING EXCEPTIONS: See Attached.

BANK USE ONLY

Received by:_____
AUTHORIZED SIGNER

Date: _____

Verified: _____

AUTHORIZED SIGNER

Date:_____

Compliance Status: Yes No

Sincerely,

INTERNAP NETWORK SERVICES CORPORATION

_____
SIGNATURE

_____
TITLE

_____
DATE

[LOGO]

SILICON VALLEY BANK

PRO FORMA INVOICE FOR LOAN CHARGES

BORROWER: INTERNAP NETWORK SERVICES CORPORATION

LOAN OFFICER: CAROLYN GRANT

DATE: JUNE 30, 1999

REVOLVING LOAN FEE	$6,000.00
UCC FILING FEE	40.00

DOCUMENTATION FEE	1,000.00
LEGAL FEE	250.00
TOTAL FEE DUE	$7,290.00

PLEASE INDICATE THE METHOD OF PAYMENT:

{ } A CHECK FOR THE TOTAL AMOUNT IS ATTACHED.

{ } DEBIT DDA # _____ FOR THE TOTAL AMOUNT.

{ } LOAN PROCEEDS

BORROWER:

BY: _____
(AUTHORIZED SIGNER)

_____
SILICON VALLEY BANK (DATE)
ACCOUNT OFFICER'S SIGNATURE

NEGATIVE PLEDGE AGREEMENT

This Negative Pledge Agreement is made as of June 30, 1999, by and between INTERNAP NETWORK SERVICES CORPORATION ("Borrower") and Silicon Valley Bank ("Bank").

In connection with, among other documents, the Amended and Restated Loan and Security Agreement (the "Loan Documents") being concurrently executed herewith between Borrower and Bank, Borrower agrees as follows:

1. Borrower shall not sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of Borrower's intellectual property, including, without limitation, the following:

   a. Any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held;

   b. All mask works or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired;

   c. Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

   d. Any and all design rights which may be available to Borrower now or hereafter existing, created, acquired or held;

   e. All patents, patent applications and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including without limitation the patents and patent applications;

   f. Any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks, including without

limitation;

g. Any and all claims for damages by way of past, present and future infringements of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

h. All licenses or other rights to use any of the Copyrights, Patents, Trademarks or Mask Works, and all license fees and royalties arising from such use to the extent permitted by such license or rights; and

i. All amendments, extensions, renewals and extensions of any of the Copyrights, Trademarks, Patents, or Mask Works; and

j. All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing;

2. It shall be an event of default under the Loan Documents between Borrower and Bank if there is a breach of any term of this Negative Pledge Agreement.

3. Capitalized terms used but not otherwise defined herein shall have the same meaning as in the Loan Documents.

BORROWER:

INTERNAP NETWORK SERVICES CORPORATION

By: /s/ JEFF ARROWSMITH

Name: Jeff Arrowsmith

Title: Director of Finance

BANK:

SILICON VALLEY BANK

By: /s/ JOHN BALBACH

Name: John Balbach

Title: AVP

CORPORATE BORROWING RESOLUTION

BORROWER: INTERNAP NETWORK SERVICES CORPORATION
TWO UNION, 601 UNION STREET,
SUITE 1000,
SEATTLE, WA 98101-4064

BANK: SILICON VALLEY BANK
915 118TH AVE. S.E., STE. 250
BELLEVUE, WA 98005

I, THE UNDERSIGNED SECRETARY OR ASSISTANT SECRETARY OF INTERNAP NETWORK SERVICES

CORPORATION ("BORROWER"), HEREBY CERTIFY that Borrower is a corporation duly organized and existing under and by virtue of the laws of the State of Washington.

I FURTHER CERTIFY that at a meeting of the Directors of Borrower (or by other duly authorized corporate action in lieu of a meeting), duly called and held, at which a quorum was present and voting, the following resolutions were adopted.

BE IT RESOLVED, that ANY ONE (1) of the following named officers, employees, or agents of Borrower, whose actual signatures are shown below:

NAMES	POSITIONS	ACTUAL SIGNATURES
Paul E. McBride	V.P. of Finance and Admin/CFO	/s/ PAUL E. MCBRIDE
Jeff Arrowsmith	Director of Finance	/s/ JEFF ARROWSMITH

acting for and on behalf of Borrower and as its act and deed be, and they hereby are, authorized and empowered:

BORROW MONEY. To borrow from time to time from Silicon Valley Bank ("Bank"), on such terms as may be agreed upon between the officers of Borrower and Bank, such sum or sums of money as in their judgment should be borrowed.

EXECUTE LOAN DOCUMENTS. To execute and deliver to Bank the loan documents of Borrower, on Bank's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any indebtedness of Borrower to Bank, and also to execute and deliver to Bank one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the loan documents, or any portion of the loan documents.

GRANT SECURITY. To grant a security interest to Bank in any of Borrower's assets, which security interest shall secure all of Borrower's obligations to Bank.

NEGOTIATE ITEMS. To draw, endorse, and discount with Bank all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to Borrower or in which Borrower may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the account of Borrower with Bank, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

LETTERS OF CREDIT. To execute letter of credit applications and other related documents pertaining to Bank's issuance of letters of credit.

FOREIGN EXCHANGE CONTRACTS. To execute and deliver foreign exchange contracts, either spot or forward, from time to time, in such amount as, in the judgment of the officer or officers herein authorized.

FURTHER ACTS. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances thereunder, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, including agreements waiving the right to a trial by jury, as they may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of these Resolutions.

BE IT FURTHER RESOLVED, that any and all acts authorized pursuant to these

Resolutions and performed prior to the passage of these resolutions are hereby ratified and approved, that these Resolutions shall remain in full force and effect and Bank may rely on these Resolutions until written notice of their revocation shall have been delivered to and received by Bank. Any such notice shall not affect any of Borrower's agreements or commitments in effect at the time notice is given.

I FURTHER CERTIFY that the persons named above are principal officers of the Borrower and occupy the positions set opposite their respective names; that the foregoing Resolutions now stand of record on the books of the Borrower; and that they are in full force and effect and have not been modified or revoked in any manner whatsoever.

IN WITNESS WHEREOF, I have hereunto set my hand on June 30, 1999 and attest that the signatures set opposite the names listed above are their genuine signatures.

CERTIFIED TO AND ATTESTED BY:

X /s/ ANTHONY C. NAUGHTIN
---
*Secretary or Assistant Secretary

X
---

*NOTE: In case the Secretary or other certifying officer is designated by the foregoing resolutions as one of the signing officers, this resolution should also be signed by a second Officer or Director of Borrower.

EXHIBIT 10.20

[LOGO] Master Agreement No.1103

MASTER AGREEMENT TO LEASE EQUIPMENT

THIS MASTER AGREEMENT TO LEASE EQUIPMENT (this "Agreement") is entered into as of January 20, 1998 by and between CISCO SYSTEMS CAPITAL CORPORATION ("Lessor") having its principal place of business at 3535 Garrett Drive, Santa Clara, California 95054 and INTERNAP NETWORK SERVICES CORPORATION, a _____ corporation ("Lessee"), having a principal place of business at 2001 6th Avenue, Suite 800, Seattle, WA, 98121. In consideration of the covenants set forth herein, Lessor and Lessee have agreed as follows:

I. THE LEASE

1.1 LEASE OF EQUIPMENT. In accordance with the terms and conditions of this Agreement, Lessor shall lease to Lessee, and Lessee shall lease from Lessor, the units of personal property (individually, a "Unit," and, collectively, the "Equipment") described in the lease schedule(s) (each, a "Lease") to be entered into from time to time into which this Agreement is incorporated. Each Lease shall constitute a separate, distinct, and independent lease and contractual obligation of Lessee. Lessor or its assignee shall at all times retain the full legal title to the Equipment, it being expressly agreed by both parties that each Lease is an agreement of lease only. Notwithstanding any provision to the contrary contained in this Agreement, Lessee shall be deemed to accept the Equipment on the Commencement Date (as specified in each Lease).

1.2 TERM OF LEASE. The original term (the "Original Term") of each Unit shall commence on the Commencement Date and, subject to Sections 3.3 and 3.5 below, shall terminate on the date specified in such Lease. Notwithstanding the foregoing, the Original Term for each Unit shall automatically extend for successive 30-day periods after its expiration unless either party gives the other party written notice, at least 90 days prior to the expiration of the Original Term or the then extended term, as the case may be, of its intent not to so extend the applicable Lease. Except as specifically provided in this Section 1.2, no Lease may be terminated by Lessor or Lessee, for any reason whatsoever, prior to the end of the Original Term or any extended term.

1.3 RENTAL PAYMENTS. Lessee shall pay Lessor rent ("Rent") for each Unit in the amounts and at the times specified in the Lease. The Lease Term for each Unit shall commence on the Commencement Date and shall continue for the period specified in the Lease, [unless otherwise extended pursuant to Section __ below]. The Lease Term as to any Unit may not be terminated by Lessee unless otherwise expressly provided in the Lease. All rental and other amounts payable by Lessee to Lessor hereunder shall be paid to Lessor at the address specified above, or at such other place as Lessor may designate in writing to Lessee from time to time.

1.4 RETURN OF EQUIPMENT. Upon expiration of the Original Term of a Unit, Lessee shall immediately return such Unit to Lessor as provided in Section 3.3 below. Except as provided in Section 1.2 above, should Lessee not return any Unit at the end of its Original Term, Lessee shall continue to pay Rent to Lessor with respect to such Unit in the sum and on the due dates set out in the applicable Lease, as a month-to-month lease, until such Unit is returned by Lessee. If Lessee fails to return any of the Equipment upon demand therefor by Lessor, Lessee shall pay Lessor, as the measure of Lessor's damages, the Casualty Value (as defined in the applicable Lease) of such Equipment.

II. DISCLAIMERS AND WARRANTIES; INTELLECTUAL PROPERTY

2.1 DISCLAIMERS; WARRANTIES. Lessee represents and acknowledges that each Unit is of a size, design, capacity and manufacture selected by it, and that it is satisfied that each Unit is suitable for its purposes. LESSOR SUPPLIES THE EQUIPMENT AS IS, AND, NOT BEING THE MANUFACTURER OF THE EQUIPMENT, THE MANUFACTURER'S AGENT OR THE SELLER'S AGENT, MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE

MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, DESIGN OR CONDITION OF THE EQUIPMENT, LESSOR SHALL NOT BE RESPONSIBLE FOR ANY LOSS OR DAMAGE RESULTING FROM THE INSTALLATION, OPERATION OR OTHER USE, OR DEINSTALLATION OF THE EQUIPMENT, INCLUDING, WITHOUT LIMITATION, ANY DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGE OR LOSS. Lessee shall look solely to the manufacturer or the supplier of Equipment for correction of any problems that may arise with respect thereto, and all warranties made by the manufacturer or such supplier are, to the degree possible, hereby assigned to Lessee for the term of the applicable Lease. To the extent any such warranty requires performance of any kind by the beneficiary of the warranty, Lessee shall perform in accordance therewith.

2.2 INTELLECTUAL PROPERTY. Except as otherwise expressly provided in each Lease, LESSOR MAKES NO WARRANTIES OR REPRESENTATIONS WHATSOEVER WITH RESPECT TO THE INTELLECTUAL PROPERTY RIGHTS, INCLUDING, WITHOUT LIMITATION, ANY PATENT, COPYRIGHT AND TRADEMARK RIGHTS, OF ANY THIRD PARTY WITH RESPECT TO THE EQUIPMENT, WHETHER RELATING TO INFRINGEMENT OR OTHERWISE. Lessor shall, at Lessee's cost and expense, exercise, when requested by Lessee, rights of indemnification, if any, for patent, copyright or other intellectual property infringement obtained from the manufacturer under any agreement for purchase of the Equipment. If notified promptly in writing of any action brought against Lessee based on a claim that the Equipment infringes a United States patent, copyright or other intellectual property right, Lessor shall promptly notify the manufacturer thereof for purposes of exercising, for the benefit of Lessee, Lessor's rights with respect to such claim under any such agreement.

III. COVENANTS OF LESSEE

3.1 PAYMENTS UNCONDITIONAL; TAX BENEFITS; ACCEPTANCE. EACH LEASE SHALL BE A NET LEASE, AND LESSEE'S OBLIGATION TO PAY ALL RENT AND OTHER SUMS THEREUNDER, AND THE RIGHTS OF LESSOR IN AND TO SUCH PAYMENTS, SHALL BE ABSOLUTE AND UNCONDITIONAL, AND SHALL NOT BE SUBJECT TO ANY ABATEMENT, REDUCTION, SETOFF, DEFENSE, COUNTERCLAIM, INTERRUPTION, DEFERMENT OR RECOUPMENT, FOR ANY REASON WHATSOEVER. It is the intent of Lessor, and an inducement to Lessor, to enter into each Lease, to claim all available tax benefits of ownership with respect to the Equipment subject thereto. Lessee acknowledges and represents that (a) no right, title or interest in such Equipment has been or is intended to be passed to Lessee, other than the right to maintain possession of and use of such Equipment for the Original Term of such Lease, conditioned on Lessee's performance of the terms and conditions of such Lease, (b) Lessee has not taken and will not, at any time during the Original Term of such Lease, take any action which could cause Lessor to lose any tax benefits of ownership, and (c) the Casualty Value of each Unit (as defined in the applicable Lease) includes an amount which provides for Lessor's recovery of the loss of such tax benefits. Lessee's acceptance of the Equipment subject to a Lease shall be conclusively and irrevocably evidenced by Lessee executing an Acceptance Certificate with respect to such Equipment, and,

upon acceptance, such Lease shall be noncancellable for its Original Term unless otherwise agreed to in writing by Lessor. Any nonpayment of Rent or other amounts payable under any Lease shall result in Lessee's obligation to promptly pay Lessor as additional Rent on such overdue payment, for the period of time during which it is overdue (without regard to any grace period), interest at a rate equal to the lesser of (a) 14% per annum, or (b) the maximum rate of interest permitted by law.

3.2 USE OF EQUIPMENT. Lessee shall use the Equipment solely in the conduct of its business, in a manner and for the use contemplated by the manufacturer thereof, and in compliance with all laws, rules and regulations of every governmental authority having jurisdiction over the Equipment or Lessee and with the provisions of all policies of insurance carried by Lessee pursuant to Section 3.6 below; provided, however, Lessee shall have the right to allow third parties, under Lessee's supervision, to use the Equipment, so long as Lessee shall retain

uninterrupted possession and control of the Equipment. Lessee shall pay all costs, expenses, fees and charges incurred in connection with the use and operation of the Equipment.

3.3 DELIVERY; INSTALLATION; RETURN; MAINTENANCE AND REPAIR; INSPECTION. Lessee shall be solely responsible, at its own expense, for (a) the delivery of the Equipment to Lessee, (b) the packing, rigging and delivery of the Equipment back to Lessor, upon expiration of the Original Term, in good repair, condition and working order, ordinary wear and tear excepted, at the location(s) within the continental United States specified by Lessor, and (c) the installation, de-installation, maintenance and repair of the Equipment. During the term of the applicable Lease, Lessee shall ensure that each Unit is covered by a maintenance agreement, to the extent available, with the manufacturer of such Unit or such other party, reasonably acceptable to Lessor. Lessee shall, at its expense, keep the Equipment in good repair, condition and working order, ordinary wear and tear excepted, and, at the expiration of the Original Term, or any renewal term, with respect to any of the Equipment, have such Equipment inspected and certified acceptable for maintenance service by the manufacturer. In the event any of the Equipment, upon its return to Lessor, is not in good repair, condition and working order, ordinary wear and tear excepted, Lessee shall be obligated to pay Lessor for the out-of-pocket expenses Lessor incurs in bringing such Equipment up to such status, but not in excess of the Casualty Value (as defined in the applicable Lease) for such Equipment, promptly alter its receipt of an invoice for such expenses. Lessor shall be entitled to inspect the Equipment at Lessee's location at reasonable times.

3.4 TAXES. Lessee shall be obligated to pay, and hereby indemnifies Lessor and its successors and assigns against, and holds each of them harmless from, all license fees, assessments, and sales, use, property, excise and other taxes and charges, other than those measured by Lessor's net income, now or hereafter imposed by any governmental body or agency upon or with respect to any of the Equipment, or the possession, ownership, use or operation thereof, or any Lease or the consummation of the transactions contemplated in any Lease or this Agreement. Notwithstanding the foregoing, Lessor shall file all required personal property tax returns, and shall pay all personal property taxes payable, with respect to the Equipment, Lessee shall pay to Lessor, as additional rental, the amount of all such personal property taxes within 15 days of its receipt of an invoice for such taxes.

3.5 LOSS OF EQUIPMENT. Lessee shall bear the entire risk of the Equipment being lost, destroyed or otherwise rendered permanently unfit or unavailable for use from any cause whatsoever (an "Event of Loss") after it has been delivered to a common carrier for shipment to Lessee. If an Event of Loss shall occur with respect to any Unit, Lessee shall promptly and fully notify Lessor thereof in writing. On the rental payment date following Lessor's receipt of such notice, Lessee shall pay to Lessor an amount equal to the rental payment or payments due and payable with respect to such Unit on or prior to such date, plus a sum equal to the Casualty Value of such Unit as of the date of such payment, as set forth in such Lease. Upon the making of such payment by Lessee regarding any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of loss, theft or complete destruction) Lessor shall be entitled to recover possession of such Unit in accordance with the provisions of Section 3.3 above. Provided that Lessor has received the Casualty Value for any Unit, Lessee shall be entitled to the proceeds of any recovery in respect of such Unit from insurance or otherwise.

3.6 INSURANCE. Lessee shall obtain and maintain for the entire term of each Lease, at its own expense, property damage and liability insurance and insurance against loss or damage to the Equipment subject to such Lease including, without limitation, loss by fire (including so-called extended coverage), theft and such other risks of loss as are normally maintained on equipment of the type leased hereunder by company's carrying on the business in which Lessee is engaged, in such amounts, in such form and with such insurers as shall be satisfactory to Lessor. Each insurance policy will name Lessee as insured and Lessor as an additional insured and loss payee thereof as Lessor's interests may appear, and shall provide that it may not be canceled or altered without at least 30 days prior written notice thereof being given to Lessor or its successors and assigns.

3.7 INDEMNITY. Except with respect to the gross negligence or willful misconduct of Lessor, Lessee hereby indemnifies, protects, defends and holds harmless Lessor and its successors and assigns, from and against any and all claims, demands, actions, suits, and proceedings, losses costs, expenses, damages and liabilities, including, without limitation, reasonable attorneys' fees and costs (collectively, "Claims"), arising out of, connected with, or resulting from this Agreement, any Lease or any of the Equipment, including, without limitation, the manufacture, selection, purchase, delivery, possession, condition, use, operation, or return of the Equipment. Each of the parties shall give the other prompt written notice of any Claim of which it becomes aware. The provisions of this Section 3.7 shall survive the expiration or termination of this Agreement or any Lease.

3.8 PROHIBITIONS RELATED TO EQUIPMENT. Without the prior written consent of Lessor, which consent as it pertains to subsections (a) and (c) below shall not be unreasonably withheld, Lessee shall not: (a) sublease any of the Equipment (provided that Lessee may, without the prior written consent of Lessor, permit any Affiliate (defined below) of Lessee to use any of the Equipment in the ordinary course of its business); (b) create or incur, or permit to exist, any lien or encumbrance with respect to any of the Equipment, or any part thereof; (c) move any of the Equipment from the location at which it is first installed; or (d) permit any of the Equipment to be moved outside the continental limits of the United States. For purposes of this Agreement, the term "Affiliate" shall mean (i) any corporation which controls, is controlled by, or under common control with Lessee, (ii) any corporation resulting from the merger or consolidation of Lessee, or (iii) any entity which acquires all of the assets of Lessee as a going concern. For purposes of this Section 3.8, the term "control" shall mean the power to direct the management of the relevant entity.

3.9 IDENTIFICATION. Lessee shall place and maintain permanent markings provided by Lessor on each Unit evidencing ownership, security and other interests therein, as specified from time to time by Lessor. Lessee shall not place or permit to be placed on any Unit any other markings that might indicate any other ownership or security interest in such Unit. Any markings on any Unit not made at Lessor's request shall be removed by Lessee, at Lessee's sole cost and expense, prior to the return of such Unit in accordance with Section 3.3.

3.10 ALTERATIONS OR MODIFICATIONS. Lessee shall not make any additions, attachments, alterations or improvements to the Equipment without the prior written consent of Lessor. At any time during the Original Term of a Lease, there may be added to such Lease additional Units of the same type as are rented thereunder for a term equal to the remaining portion of such Original Term and, subject to the terms and conditions hereof, at the Rent applicable to such Units for such term at the time the order for such Units is placed, provided that the order is in writing and accepted by Lessor. Such acceptance shall be at the sole discretion of Lessor. Each addition, attachment, alteration or improvement to any Unit shall belong to and become the property of Lessor unless, at the request of Lessor, it is removed prior to the return of such Unit by Lessee. Lessee shall be responsible for all costs relating to such removal and shall restore such Unit to its operating condition that existed at the time it became subject to the applicable Lease.

3.11 EQUIPMENT TO BE PERSONAL PROPERTY. Lessee acknowledges and represents that the Equipment shall be and remain personal property, notwithstanding the manner in which it may be attached or affixed to realty, and Lessee shall do all acts and enter into all agreements necessary to ensure that the Equipment remains personal property.

3.12 FINANCIAL STATEMENTS. Lessee shall promptly furnish to Lessor such financial or other statements respecting the condition and operations of Lessee, and information respecting the Equipment, as Lessor may from time to time reasonably request.

3.13 LESSEE REPRESENTATIONS. Lessee hereby represents that, with respect to this Agreement and each Lease: (a) the execution, delivery and performance thereof by Lessee have been duly authorized by all necessary corporate action; and (b) the individual executing such document is duly authorized to do so; (c) such document constitutes legal, valid and binding obligations of Lessee, enforceable in accordance with its terms.

IV. DEFAULT AND REMEDIES

4.1 EVENTS OF DEFAULT. The occurrence of any of the following shall constitute an Event of Default hereunder: (a) Lessee shall fail to pay any rental or other payment due hereunder within five (5) days after its receipt of notice of nonpayment; (b) any representation or warranty of Lessee made in this Agreement, any Lease, or in any document furnished pursuant to the provisions of this Agreement or otherwise, shall prove to have been false or misleading in any material respect as of the date when it was made; (c) Lessee shall fail to perform any covenant, condition or agreement made by it under any Lease, and such failure shall continue for twenty (20) days after its receipt of notice thereof; (d) bankruptcy, receivership, insolvency, reorganization, dissolution, liquidation or other similar proceedings shall be instituted by or against Lessee or all or any part of its property under the Federal Bankruptcy Code or other law of the United States or of any other competent jurisdiction, and, if such proceeding is brought against Lessee, it shall consent thereto or shall fail to cause the same to be discharged within thirty (30) days after it is filed; (e) Lessee shall default under any agreement with respect to the purchase or installation of any of the Equipment; or (f) Lessee or any guarantor of Lessee's obligations under any Lease shall default under any other agreement with Lessor or Cisco Systems, Inc.

4.2 REMEDIES. If an Event of Default hereunder shall occur and be continuing, Lessor may exercise any one or more of the following remedies: (a) terminate any or all of the Leases and Lessee's rights thereunder; (b) proceed, by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants of any or all of the Leases or to recover damages for the breach thereof; (c) recover from Lessee an amount equal to the sum of (i) all amounts due under any or all of the Leases on or before the Lessor giving Lessee written notice that such Event of Default has occurred and, if Lessor obtains a judgment against Lessee with respect to such Event of Default, the entry of such judgment, whichever shall last occur, (ii) as liquidated damages for loss of a bargain and not as a penalty, the present value of the balance of all rentals and other sums payable thereunder and hereunder, without any presentment, demand, protest or further notice (all of which are hereby expressly waived by Lessee), discounted at a rate equal to the rate for United States Treasury Bills, as the case may be, as shown in the Wall Street Journal, with a maturity which is closest to the balance of the term of such Lease (the "Discount Rate") as of the date of the payment of such amount, and (iii) any loss or damage to the Lessor's residual interest in the Equipment caused by such Event of Default; (d) personally, or by its agents, take immediate possession of any or all of the Equipment from Lessee and, for such purpose, enter upon Lessee's premises where any of the Equipment is located with or without notice or process of law and free from all claims by Lessee; and (e) require the Lessee to, and the Lessee shall, assemble the Equipment and deliver the Equipment to a location which is reasonably convenient to Lessor and Lessee. The exercise of any of the foregoing remedies by Lessor shall not constitute a termination of any Lease or this Agreement unless Lessor so notifies Lessee in writing.

4.3 DISPOSITION OF EQUIPMENT. In the event, upon the occurrence of an Event of Default, Lessor repossesses any of the Equipment, Lessor may lease any or all of such Equipment, or sell any or all of such Equipment at one or more public or private sales, in such manner, at such times and upon such terms as Lessor may determine. In the event that Lessor leases any of such Units, any rentals received by Lessor for the "Remaining Lease Term" (the period ending on the date when the Original Term for such Unit would have expired if an Event of Default had not occurred), discounted to present value, at the Discount Rate, as of the Possession Date (the "Recovery Rentals"), for such Units shall be applied to the payment of (a) all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Lessor in retaking possession

of, and removing, storing, repairing, refurbishing and leasing, such Units, (b) accrued and unpaid rentals as of the date Lessor obtained possession of such Units or the date on which Lessee made an effective tender of possession of such Units to Lessor, whichever shall first occur (the "Possession Date"), (c) the present value of the rentals for such Units for the balance of the Original Term of the applicable Lease (the "Discounted Remaining Rentals") and any other sums payable thereunder or hereunder with respect to such Units, discounted at the Discount Rate as of the Possession Date, (d) any and all other sums (other than rentals) with respect to such Units then owing to Lessor by Lessee thereunder or hereunder, and (e) any loss or damage to the Lessor's residual interest in such Units caused by such Event of Default (the aggregate of such amounts being referred to as the "Release Recovery Amount"). In the event that Lessor shall sell or otherwise dispose of (other than pursuant to a lease) any such Units, the proceeds thereof (the "Recovery Proceeds") shall be applied to the payment of the amounts referred to in clauses (a) through (d) above and the amount by which the Casualty Value for such Units, as of the Possession Date, exceeds the Discounted Remaining Rentals (the aggregate of such amounts being referred to as the "Sale Recovery Amount"). The balance, if any, of the Recovery Rentals, in the case of a release, and of the Recovery Proceeds, in the case of a sale or other disposition, shall be applied first to reimburse Lessee for any sums previously paid by Lessee as liquidated damages with respect to such Units, and any remaining amounts shall be retained by Lessor. Lessee shall remain liable to Lessor, with respect to any Units which are released or sold or otherwise disposed of, to the extent that the Release Recovery Amount exceeds the Recovery Rentals or the Sale Recovery Amount exceeds the Recovery Proceeds. Lessor shall be entitled to, and Lessee shall have no claim with respect to, all rentals, with respect to any period commencing after the expiration of the applicable Remaining Lease Term, from released Units.

V. MISCELLANEOUS

5.1 PERFORMANCE OF LESSEE'S OBLIGATIONS. Upon Lessee's failure to pay Rent (or any other sum due hereunder) or perform any obligation hereunder when due, Lessor shall have the right, but shall not be obligated, to pay such sum or perform such obligation, whereupon such sum or the cost of such performance shall immediately become due and payable hereunder as additional rent, with interest thereon at the highest legal rate from the date such payment or performance was made.

5.2 ASSIGNMENT. LESSEE SHALL NOT RELINQUISH POSSESSION OR CONTROL OF, OR ASSIGN, SUBLEASE, PLEDGE, HYPOTHECATE OR OTHERWISE TRANSFER, DISPOSE OF OR ENCUMBER ANY UNIT, THIS AGREEMENT OR ANY LEASE OR SCHEDULE, OR ANY PART THEREOF OR INTEREST THEREIN, OR ANY RIGHT OR OBLIGATION WITH RESPECT THERETO, WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR.

5.3 QUIET ENJOYMENT. So long as Lessee shall not be in default of any of its obligations under any Lease, neither Lessor nor its assignee shall interfere with Lessee's right of quiet enjoyment and use of the Equipment.

5.4 FURTHER ASSURANCES. Lessee shall, upon the request of Lessor, from time to time, execute and deliver such further documents and do such further acts as Lessor may reasonably request in order fully to effect the purposes of any Lease and Lessor's rights thereunder. Lessor is authorized to file a financing statement, signed only by Lessor in accordance with the Uniform Commercial Code or signed by Lessor as Lessee's attorney in fact, with respect to any of the Equipment.

5.5 RIGHT AND REMEDIES. Each and every right and remedy granted to Lessor under any Lease shall be cumulative and in addition to any other right or remedy therein specifically granted or now or hereafter existing in equity, at law, by virtue of statute or otherwise, and may be exercised by Lessor from time to time concurrently or independently and as often and in such order as Lessor may deem expedient. Any failure or delay on the part of Lessor in exercising any such right or remedy, or abandonment or discontinuance of steps to enforce the same, shall not

operate as a waiver thereof or affect Lessor's right thereafter to exercise the same. Waiver of any right or remedy on one occasion shall not be deemed to be a waiver of any other right or remedy or of the same right or remedy on any other occasion.

5.6 NOTICES. Any notice, request, demand, consent, approval or other communication provided for or permitted hereunder shall be in writing and shall be conclusively deemed to have been received by a party hereto on the day it is delivered to such party at its address set forth above (or at such other address as such party shall specify to the other party in writing), or if sent by registered or certified mail, return receipt requested, on the fifth day after the day on which it is mailed, addressed to such party at such address.

5.7 SECTION HEADINGS; COUNTERPARTS. Section headings are inserted for convenience of reference only and shall not affect any construction or interpretation of this Agreement. This Agreement and each Lease may be executed in counterparts, and when so executed each counterpart shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

5.8 ENTIRE LEASE. This Agreement and each Lease constitute the entire agreement between Lessor and Lessee with respect to the lease of Equipment and supersede all other prior or contemporaneous agreements, whether oral or in writing, with respect thereto. No waiver or amendment of, or any consent with respect to, any provision of this Agreement shall bind either party unless set forth in writing, specifying such waiver, consent, or amendment, signed by both parties, and then such waiver, consent, or amendment shall be effective only in the specific instance and for the specific purpose given. Any term or condition of any purchase order or other document (with the exception of any Lease) submitted by Lessee in connection with this Lease which is in addition to or inconsistent with the terms and conditions of this Agreement shall not be binding on Lessor and shall not apply to this Agreement. To the extent permitted by applicable law and not otherwise specifically provided to Lessee in this Agreement, Lessee hereby waives any and all rights or remedies conferred upon a lessee under the California Uniform Commercial Code, and any other applicable similar code or statutes of another jurisdiction, with respect to a default by Lessor under this Agreement.

5.9 SEVERABILITY. Should any provision of this Agreement or any Lease be or become invalid, illegal, or unenforceable under applicable law, the other provisions of this Agreement and such Lease shall not be affected and shall remain in full force and effect, and, to the extent permissible under applicable law and possible, any such invalid, illegal or unenforceable provision shall be deemed amended to the extent necessary to be valid, legal and enforceable and to conform to the intent of the parties; provided, however, in the event Lessee's obligation under any Lease to pay rent or any other amount shall be invalid, illegal or unenforceable, Lessor shall have the right to terminate such Lease as if an Event of Default shall have occurred.

5.10 ATTORNEYS' FEES. Should either party institute any action or proceeding to enforce this Agreement or any Lease, or any provision hereof or thereof, or for a declaration of rights under any such agreement, the prevailing party in any such action or proceeding shall be entitled to receive from the other party all reasonable out-of-pocket costs and expenses, including, without limitation, attorneys' fees, which it incurs in connection with such action or proceeding.

5.11 GOVERNING LAW. This Lease shall be governed in all respects by the laws of the State of California with respect to agreements entered into, and to be performed, entirely in California. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN ANY LEASE, THIS AGREEMENT AND EACH LEASE SHALL BE GOVERNED IN ALL RESPECTS BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA. LESSOR AND LESSEE WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY LITIGATION ARISING FROM THIS AGREEMENT OR ANY LEASE. LESSEE CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE COURTS OF CALIFORNIA, AND THE FEDERAL COURTS SITTING IN THE STATE CALIFORNIA, FOR THE RESOLUTION OF ANY DISPUTES HEREUNDER.

5.12 SURVIVAL. All obligations of Lessee to make payments to Lessor under any Lease or to indemnify Lessor, pursuant to Section 3.4 or 3.7 above, with respect to a Lease, and all rights of Lessor hereunder with respect to a

Lease, shall survive the termination of such Lease.

LESSEE, BY THE SIGNATURE BELOW OF ITS AUTHORIZED REPRESENTATIVE, ACKNOWLEDGES THAT IT HAS READ THIS LEASE, UNDERSTANDS IT, AND AGREES TO BE BOUND BY ITS TERMS AND CONDITIONS.

CISCO SYSTEMS CAPITAL CORPORATION (Lessor)	INTERNAP NETWORK SERVICES CORPORATION (Lessee)
By: /s/ SUSAN A. ROFFO	By: /s/ PAUL E. MCBRIDE
(Authorized Signature)	(Authorized Signature)
Susan A. Roffo, Controller	Paul E. McBride/CFO
(Name/Title)	(Name/Title)
5-27-98	1/23/98
(Date)	(Date)

EXHIBIT 10.21

[INTERNAP NETWORK SERVICES LETTERHEAD]

April 10, 1996

Mr. Christopher D. Wheeler
1711 E. Olive Way, #402
Seattle, WA 98102

Re: Offer of Employment

Dear Chris:

We are pleased to extend this offer to you to join interNAP Network Services, Inc. as Vice President of Network Engineering, effective April 15, 1996.

Your compensation will be $7,500 per month (equal to $90,000 on an annualized basis) plus you will participate in a discretionary bonus plan determined by the Board of Directors that will provide up to an additional $25,000 per year based on the successful accomplishment of certain performance goals and objectives to be determined. You will be able to participate in the purchase of interNAP common stock pursuant to a stock purchase agreement that is currently being drawn up. In addition, you will also participate in the benefits we offer generally to our employees, these are expected to initially include medical, and company-paid life insurance for the employee with the option to pay for these benefits for any additional dependents.

It is a condition of this offer that, before commencing employment, you sign an Employee Confidentiality, Nonraiding and Noncompetition Agreement, which contains additional requirements for the protection of our business, a copy of which is enclosed. This Agreement must be signed before you begin active, productive work on our behalf.

We wish to emphasize the importance we place on the proper treatment of any confidential information with which you may have come into contact in the past. We are offering you this job based on your skills and abilities and not your possession of any trade secret, confidential or proprietary information. We require that you not obtain, keep, use for our benefit or disclose to us any confidential, proprietary or trade secret information that belongs to others, unless the party who has the rights to the information expressly consents in writing in advance. Also, by signing below you affirm that you are not a party to any agreements, such as noncompetition agreements, that would limit your ability to perform your duties for us.

The employment opportunity that we offer is of indefinite duration and will continue as long as both you and we consider it of mutual benefit. Either you or we

are free to terminate the employment relations at any time, with or without cause. Any statements to the contrary are not authorized and may not be relied upon.

We look forward to working with you as part of the interNAP Network Services, Inc. executive team. Please indicate your acceptance of these terms of employment by signing and returning to me one of the two copies of this letter.

Sincerely,

/s/ PAUL E. McBRIDE

Paul E. McBride
President, Manager

ACCEPTED:

/s/ CHRISTOPHER D. WHEELER

Mr. Christopher D. Wheeler

Dated: 4-11-96

[INTERNAP NETWORK SERVICES, INC. LETTERHEAD]

INTERNAP NETWORK SERVICES, INC.

EMPLOYEE CONFIDENTIALITY, NONRAIDING AND NONCOMPETITION AGREEMENT

In consideration of my hire and continued employment by InterNAP Network Services, L.L.C. ("InterNAP"), the continued compensation of me by InterNAP during my employment, and the disclosure to me of InterNAP's confidential and proprietary information, I agree to the following terms and conditions.

1. Employment. Employment will begin on 5/16/96. While employed by InterNAP, I shall devote my entire working time, attention, abilities and efforts to InterNAP's business and affairs, faithfully and diligently serve InterNAP's interests and refrain from engaging in any business or employment activity that is not on InterNAP's behalf (whether or not pursued for gain or profit), except for activities approved in writing in advance by InterNAP. My precise services may be extended or curtailed, from time to time, at the direction of InterNAP, and I shall assume and perform such further reasonable responsibilities and duties as may be assigned to me from time to time by InterNAP.

2. Termination. My employment may be terminated by either InterNAP or me at any time and for any reason, or for no reason, in either party's sole and absolute discretion.

3. Payment. I understand and agree that I will be compensated for my services as follows:

(a) Base Salary. A base annual salary of $85,000.00 payable in equal semi-monthly installments on approximately the 1st and 15th day of each month. $90,000 Beginning 7/15.

4. Confidentiality and Nondisclosure. I agree that information not generally known to the public to which I will be exposed as a result of my being employed by InterNAP is confidential information that belongs to InterNAP. This includes information developed by me, alone or with others, or entrusted to InterNAP by its customers or others. InterNAP's confidential information includes, without limitation, information relating to InterNAP's trade secrets, research and development, inventions, know-how, software, procedures, accounting, marketing, sales, creative and marketing strategies, employee salaries and compensation, and the identities of customers and active prospects to the extent not publicly disclosed (collectively, "Confidential Information"). I will hold InterNAP's Confidential Information in strict confidence, and not disclose or use it except as authorized by InterNAP and for InterNAP's benefit.

[INTERNAP LOGO]

I further acknowledge and agree that in order to enable InterNAP to perform services for its customers or clients, such customers or clients may furnish to InterNAP certain Confidential Information, that the goodwill afforded to InterNAP depends upon InterNAP and its employees preserving the confidentiality of such information, and that such information shall be treated as Confidential Information of InterNAP for all purposes under this Agreement.

5. Noncompetition. I recognize and agree that InterNAP has many substantial, legitimate business interests that can be protected only by my agreement not to compete with InterNAP under certain circumstances. These interests include, without limitation, InterNAP's contacts and relationships with its clients and active prospects, InterNAP's reputation and goodwill in the industry, and InterNAP's rights in its Confidential Information. Therefore, I agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not, voluntarily or involuntarily, directly or indirectly, on my own behalf or on the behalf of another, approach, solicit, accept, receive or do work on any portion of the computer network consulting and services business of any account that was a client or active prospect of InterNAP, its parent or subsidiaries during the twelve(12) month period immediately preceding the date my employment with InterNAP ends.

I also agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not employ or seek to employ any person employed by InterNAP nor solicit or induce any such person to leave InterNAP.

6. Injunctive Relief. I acknowledge that the breach or threatened breach of the above noncompetition and/or nondisclosure provisions would cause irreparable injury to InterNAP that could not be adequately compensated by money damages. InterNAP may obtain a restraining order and/or injunction prohibiting my breach or threatened breach of the noncompetition and/or nondisclosure provisions, in addition to any other legal or equitable remedies that may be available. I agree that the above noncompetition provision, including its duration,scope and geographic extent, is fair and reasonably necessary to protect InterNAP's client relationships, goodwill, Confidential Information and other protectable interests.

7. Possession. I agree that upon request by InterNAP, and in any event upon termination of employment for any reason, I shall turn over to InterNAP all documents, notes, papers, data, files, office supplies or other material or work product in my possession or under my control which was created pursuant to, is connected with or derived from my services to InterNAP, or which is related in any manner to InterNAP's business activities or research and development efforts, whether or not such material is currently in my possession.

[INTERNAP LOGO]

8. Waiver of Breach. The waiver of any breach of any provision of this Agreement or the failure to enforce any provision shall not be construed as a waiver of any later breach by any party.

9. Enforcement and Severability. If any portion of this Agreement becomes invalid or unenforceable, the rest of the Agreement shall be construed as if the invalid or unenforceable portion was omitted. The noncompetition and nondisclosure provisions shall be enforceable against me notwithstanding the existence of any claim I may have against InterNAP.

10. Governing Law. This Agreement shall be governed by the internal laws of the state of Washington without giving effect to provisions related to choice of laws or conflict of laws. Venue and jurisdiction of any lawsuit involving

this Agreement or my employment shall exist exclusively in state and federal courts in King County, Washington, unless injunctive relief is sought by InterNAP, and in InterNAP's judgment, may not be effective unless obtained in some other venue.

11. Attorneys' Fees. In any lawsuit arising out of or relating to this Agreement or my employment, including without limitation arising from any alleged tort or statutory violation, the prevailing party shall recover its reasonable costs and attorneys' fees, including on appeal.

12. General. This Agreement may be modified, supplemented and/or amended only by a writing that both I and InterNAP sign. This Agreement, as it may be so amended, is the complete and final expression of my agreement with InterNAP on the subjects covered, and shall control over any other statement, representation or agreement on these subjects.

I have read this Agreement before signing it, and I acknowledge receipt of a signed copy.

/s/ CHRISTOPHER D. WHEELER

Christopher D. Wheeler

5-15-96

Date

6

INTERNAP NETWORK SERVICES, INC.

ADDENDUM TO
EMPLOYEE CONFIDENTIALITY, NONRAIDING AND
NONCOMPETITION AGREEMENT

This Addendum shall address a revision of Item 5, of the Employee Confidentiality, Nonraiding and Noncompetition Agreement revised on May 22, 1997. All employees having been hired and having signed the Agreement before this revision date shall execute this Addendum. All other terms and conditions of the original Employee Confidentiality, Nonraiding and Noncompetition Agreement are binding.

Section 5. Noncompetition, in which the third sentence reads:

"Therefore, I agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not, voluntarily or involuntarily, directly or indirectly, on my own behalf or on the behalf of another, approach, solicit, accept, receive or do work on any portion of the computer network consulting and services business of any account that was a client or active prospect of InterNAP, its parent or subsidiaries during the twelve (12) month period immediately preceding the date my employment with InterNAP ends."

Shall be amended to read as follows:

"Therefore, I agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not, voluntarily or involuntarily, directly or indirectly, on my own behalf or on the behalf of another, approach, solicit, accept, receive or do work in the area of Inter/Intranet connectivity and hosting services of any account that was a client or active prospect of InterNAP, its parent or subsidiaries during the twelve (12) month period immediately preceding the date my employment with InterNAP ends."

I have read this Addendum before signing it, and I acknowledge receipt of a signed copy.

/s/ CHRISTOPHER D. WHEELER

Christopher D. Wheeler

5-27-97

Date

Supervisor

Date

EXHIBIT 10.22

[INTERNAP LETTERHEAD]

May 16, 1996

Mr. Anthony C. Naughtin
6526 142nd Place SW
Edmonds, WA 980261

Re: Offer of Employment

Dear Tony:

We are pleased to extend this offer to you to join InterNAP Network Services, L.L.C. as President and CEO, effective May 16, 1996.

Your starting compensation will be $7,500 per month (equal to $90,000 on an annualized basis), increasing to $8,333.33 (equal to $100,000 on an annualized basis) once the company completes the "buildout" phase of the network currently projected by August 1, 1996. In addition, you will participate in a discretionary bonus plan determined by the Board of Directors that will provide up to an additional $25,000 per year based on the successful accomplishment of certain performance goals and objectives to be determined.

You will be able to purchase up to 500,000 InterNAP Units at a price of $.001 per Unit pursuant to a Unit Purchase Agreement that is currently being drawn up.

You will also participate in the benefits we offer generally to our employees, that are expected to initially include medical, and company-paid life insurance for the employee, and 18 days/year of combined vacation/sick lease (equal to .75 days/pay period) with an accrual limit of 18 days.

It is a condition of this offer that, before commencing employment, you sign an Employee Confidentiality, Nonraiding and Noncompetition Agreement, which contains additional requirements for the protection of our business, a copy of which is enclosed. This Agreement must be signed before you begin active, productive work on our behalf.

We wish to emphasize the importance we place on the proper treatment of any confidential information with which you may have come into contact in the past. We are offering you this job based on your skills and abilities and not your possession of any trade secret, confidential or proprietary information. We require that your not obtain, keep, use for our benefit or disclose to us any confidential, proprietary or trade secret information that belongs to others, unless the party who has the rights to the

information expressly consents in writing in advance. Also, by signing below you affirm that you are not a party to any agreements, such as noncompetition agreements, that would limit your ability to perform your duties for us.

The employment opportunity that we offer is of indefinite duration and will continue as long as both you and we consider it of mutual benefit. Either you or we are free to terminate the employment relations at any time, with or without cause. Any statements to the contrary are not authorized and may not be relied upon.

Tony, we are excited to have you on board and look forward to working with you as part of the InterNAP executive team. Please indicate your acceptance of these terms of employment by signing and returning to me one of the two copies of this letter.

Sincerely,

/s/ PAUL E. MCBRIDE

Paul E. McBride
Manager

ACCEPTED:

/s/ ANTHONY C. NAUGHTIN

Mr. Anthony C. Naughtin

Dated: 5-29-96

[INTERNAP LOGO]

INTERNAP NETWORK SERVICES, INC.

EMPLOYEE CONFIDENTIALITY, NONRAIDING AND NONCOMPETITION AGREEMENT

In consideration of my hire and continued employment by InterNAP Network Services, L.L.C. ("InterNAP"), the continued compensation of me by InterNAP during my employment, and the disclosure to me of InterNAP's confidential and proprietary information, I agree to the following terms and conditions.

1. Employment. Employment will begin on 5/16/96. While employed by InterNAP, I shall devote my entire working time, attention, abilities and efforts to InterNAP's business and affairs, faithfully and diligently serve InterNAP's interests and refrain from engaging in any business or employment activity that is not on InterNAP's behalf (whether or not pursued for gain or profit), except for activities approved in writing in advance by InterNAP. My precise services may be extended or curtailed, from time to time, at the direction of InterNAP, and I shall assume and perform such further reasonable responsibilities and duties as may be assigned to me from time to time by InterNAP.

2. Termination. My employment may be terminated by either InterNAP or me at any time and for any reason, or for no reason, in either party's sole and absolute discretion.

3. Payment. I understand and agree that I will be compensated for my services as follows:

(a) Base Salary. A base annual salary of $100,000.00, payable in equal semi-monthly installments on approximately the 1st and 15th day of each month.

4. Confidentiality and Nondisclosure. I agree that information not generally known to the public to which I will be exposed as a result of my being employed by InterNAP is confidential information that belongs to InterNAP. This includes information developed by me, alone or with others, or entrusted to InterNAP by its customers or others. InterNAP's confidential information includes, without limitation, information relating to InterNAP's trade secrets, research and development, inventions, know-how, software, procedures, accounting, marketing, sales, creative and marketing strategies, employee salaries and compensation, and the identities of customers and active prospects to the extent not publicly disclosed (collectively, "Confidential Information"). I will hold InterNAP's Confidential Information in strict confidence, and not disclose or use it except as authorized by InterNAP and for InterNAP's benefit.

I further acknowledge and agree that in order to enable InterNAP to perform services for its customers or clients, such customers or clients may furnish to InterNAP certain Confidential Information, that the goodwill afforded to InterNAP depends upon InterNAP and its employees preserving the confidentiality of such information, and that such information shall be treated as Confidential Information of InterNAP for all purposes under this Agreement.

5. Noncompetition. I recognize and agree that InterNAP has many substantial, legitimate business interests that can be protected only by my agreement not to compete with InterNAP under certain circumstances. These interests include, without limitation, InterNAP's contacts and relationships with its clients and active prospects, InterNAP's reputation and goodwill in the industry, and InterNAP's rights in its Confidential Information. Therefore, I agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not, voluntarily or involuntarily, directly or indirectly, on my own behalf or on the behalf of another, approach, solicit, accept, receive or do work on any portion of the computer network consulting and services business of any account that was a client or active prospect of InterNAP, its parent or subsidiaries during the twelve (12) month period immediately preceding the date my employment with InterNAP ends. I may not, should the opportunity arise, accept a position of employment with any of the above specified clients or active prospects.

I also agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not employ or seek to employ any person employed by InterNAP nor solicit or induce any such person to leave InterNAP.

6. Injunctive Relief. I acknowledge that the breach or threatened breach of the above noncompetition and/or nondisclosure provisions would cause irreparable injury to InterNAP that could not be adequately compensated by money damages. InterNAP may obtain a restraining order and/or injunction prohibiting my breach or threatened breach of the noncompetition and/or nondisclosure provisions, in addition to any other legal or equitable remedies that may be available. I agree that the above noncompetition provision, including its duration, scope and geographic extent, is fair and reasonably necessary to protect InterNAP's client relationships, goodwill, Confidential Information and other protectable interests.

7. Possession. I agree that upon request by InterNAP, and in any event upon termination of employment for any reason, I shall turn over to InterNAP all documents, notes, papers, data, files, office supplies or other material or work product in my possession or under my control which was created pursuant to, is connected with or derived from my services to InterNAP, or which is related in any manner to InterNAP's business activities or research and development efforts, whether or not such material is currently in my possession.

8. Waiver of Breach. The waiver of any breach of any provision of this Agreement or the failure to enforce any provision shall not be construed as a waiver of any later breach by any party.

9. Enforcement and Severability. If any portion of this Agreement becomes invalid or unenforceable, the rest of the Agreement shall be construed as if the invalid or unenforceable portion was omitted. The noncompetition and nondisclosure provisions shall be enforceable against me notwithstanding the existence of any claim I may have against InterNAP.

10. Governing Law. This Agreement shall be governed by the internal laws of the state of Washington without giving effect to provisions related to choice of laws or conflict of laws. Venue and jurisdiction of any lawsuit involving this Agreement or my employment shall exist exclusively in state and federal

courts in King County, Washington, unless injunctive relief is sought by InterNAP, and in InterNAP's judgment, may not be effective unless obtained in some other venue.

11. Attorneys' Fees. In any lawsuit arising out of or relating to this Agreement or my employment, including without limitation arising from any alleged tort or statutory violation, the prevailing party shall recover its reasonable costs and attorneys' fees, including on appeal.

12. General. This Agreement may be modified, supplemented and/or amended only by a writing that both I and InterNAP sign. This Agreement, as it may be so amended, is the complete and final expression of my agreement with InterNAP on the subjects covered, and shall control over any other statement, representation or agreement on these subjects.

I have read this Agreement before signing it, and I acknowledge receipt of a signed copy.

/s/ ANTHONY C. NAUGHTIN

Anthony C. Naughtin

5-29-96

Date

EXHIBIT 10.23

[INTERNAP LOGO]

INTERNAP NETWORK SERVICES, INC.

EMPLOYEE CONFIDENTIALITY, NONRAIDING AND NONCOMPETITION AGREEMENT

In consideration of my hire and continued employment by InterNAP Network Services, L.L.C. ("InterNAP"), the continued compensation of me by InterNAP during my employment, and the disclosure to me of InterNAP's confidential and proprietary information, I agree to the following terms and conditions.

1. Employment. Employment will begin on 5/16/96. While employed by InterNAP, I shall devote my entire working time, attention, abilities and efforts to InterNAP's business and affairs, faithfully and diligently serve InterNAP's interests and refrain from engaging in any business or employment activity that is not on InterNAP's behalf (whether or not pursued for gain or profit), except for activities approved in writing in advance by InterNAP. My precise services may be extended or curtailed, from time to time, at the direction of InterNAP, and I shall assume and perform such further reasonable responsibilities and duties as may be assigned to me from time to time by InterNAP.

2. Termination. My employment may be terminated by either InterNAP or me at any time and for any reason, or for no reason, in either party's sole and absolute discretion.

3. Payment. I understand and agree that I will be compensated for my services as follows:

(a) Base Salary. A base annual salary of $85,000.00, payable in equal semi-monthly installments on approximately the 1st and 15th day of each month.

4. Confidentiality and Nondisclosure. I agree that information not generally known to the public to which I will be exposed as a result of my being employed by InterNAP is confidential information that belongs to InterNAP. This includes information developed by me, alone or with others, or entrusted to InterNAP by its customers or others. InterNAP's confidential information includes, without limitation, information relating to InterNAP's trade secrets, research and development, inventions, know-how, software, procedures, accounting, marketing, sales, creative and marketing strategies, employee salaries and compensation, and the identities of customers and active prospects to the extent not publicly disclosed (collectively, "Confidential Information"). I will hold InterNAP's Confidential Information in strict confidence, and not disclose or use it except as authorized by InterNAP and for InterNAP's benefit.

[INTERNAP LOGO]

I further acknowledge and agree that in order to enable InterNAP to perform services for its customers or clients, such customers or clients may furnish to InterNAP certain Confidential Information, that the goodwill afforded to InterNAP depends upon InterNAP and its employees preserving the confidentiality of such information, and that such information shall be treated as Confidential Information of InterNAP for all purposes under this Agreement.

5. Noncompetition. I recognize and agree that InterNAP has many substantial, legitimate business interests that can be protected only by my agreement not to compete with InterNAP under certain circumstances. These interests include, without limitation, InterNAP's contacts and relationships

with its clients and active prospects, InterNAP's reputation and goodwill in the industry, and InterNAP's rights in its Confidential Information. Therefore, I agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not, voluntarily or involuntarily, directly or indirectly, on my own behalf or on the behalf of another, approach, solicit, accept, receive or do work on any portion of the computer network consulting and services business of any account that was a client or active prospect of InterNAP, its parent or subsidiaries during the twelve (12) month period immediately preceding the date my employment with InterNAP ends. I may not, should the opportunity arise, accept a position of employment with any of the above specified clients or active prospects.

I also agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not employ or seek to employ any person employed by InterNAP nor solicit or induce any such person to leave InterNAP.

6. Injunctive Relief. I acknowledge that the breach of threatened breach of the above noncompetition and/or nondisclosure provisions would cause irreparable injury to InterNAP that could not be adequately compensated by money damages. InterNAP may obtain a restraining order and/or injunction prohibiting my breach or threatened breach of the noncompetition and/or nondisclosure provisions, in addition to any other legal or equitable remedies that may be available. I agree that the above noncompetition provision, including its duration, scope and geographic extent, is fair and reasonably necessary to protect InterNAP's client relationships, goodwill, Confidential Information and other protectable interests.

7. Possession. I agree that upon request by InterNAP, and in any event upon termination of employment for any reason, I shall turn over to InterNAP all documents, notes, papers, data, files, office supplies or other material or work product in my possession or under my control which was created pursuant to, is connected with or derived from my services to InterNAP, or which is related in any manner to InterNAP's business activities or research and development efforts, whether or not such material is currently in my possession.

8. Waiver of Breach. The waiver of any breach of any provision of this Agreement or the failure to enforce any provision shall not be construed as a waiver of any later breach by any party.

9. Enforcement and Severability. If any portion of this Agreement becomes invalid or unenforceable, the rest of the Agreement shall be construed as if the invalid or unenforceable portion was omitted. The noncompletion and nondisclosure provisions shall be enforceable against me notwithstanding the existence of any claim I may have against InterNAP.

10. Governing Law. This Agreement shall be governed by the internal laws of the state of Washington without giving effect to provisions related to choice of laws or conflict of laws. Venue and jurisdiction of any lawsuit involving this Agreement or my employment shall exist exclusively in state and federal courts in King County, Washington, unless injunctive relief is sought by InterNAP, and in InterNAP's judgment, may not be effective unless obtained in some other venue.

11. Attorneys' Fees. In any lawsuit arising out of or relating to this Agreement or my employment, including without limitation arising from any alleged tort or statutory violation, the prevailing party shall recover its reasonable costs and attorneys' fees, including on appeal.

12. General. This Agreement may be modified, supplemented and/or amended only by a writing that both I and InterNAP sign. This Agreement, as it may be so amended, is the complete and final expression of may agreement with InterNAP on the subjects covered, and shall control over any other statement, representation or agreement on these subjects.

I have read this Agreement before signing it, and I acknowledge receipt of a signed copy.

/s/ PAUL E. McBRIDE

Paul E. McBride

5-16-96

Date

EXHIBIT 10.24

[INTERNAP LETTERHEAD]

March 18, 1998

PERSONAL AND CONFIDENTIAL

Mr. Michael Ortega
989 Via Rincon
Palos Verdes Estates, CA 90274

Dear Mike:

RE: Offer of Employment

I am pleased to extend this employment offer to you to join InterNAP Network Services Corporation as our Vice President of Sales and Marketing. During the week next week, I would like to establish with you a reasonable start date for this position, and as you know, we would like to commence with it as soon as possible.

In this position you will be an officer of the Corporation, and will report directly to me. Your total compensation and benefit package will be as follows:

- A base compensation and incentive bonus package as detailed in the attached summary document which is incorporated herein by reference to this formal offer letter.
- A recoverable draw against cash incentive bonus of $30,000, subject to the terms of the attached summary.
- Base level and override bonus stock options as detailed in the attached summary document.
- You are eligible to participate in the benefits we generally offer to our employees which include medical, dental, vision, and life insurance coverage for your immediate family; 18 days per year of combined vacation/sick leave (equal to .75 days per pay period) with an accrual limit of 18 days, and 9 paid holidays.
- Additional benefits include a 401(k) plan which will commence for the entire Company next month, as well as other benefits and insurance coverages that we expect to add to our overall employee package in the months ahead.
- Parking space is available to you in the Westin Garage and paid monthly by InterNAP.
- InterNAP will reimbursement you on a monthly basis for your use of a Sprint PCS cell phone in the conduct of InterNAP business (though you will be responsible for the initial purchase of this cell phone).
- Internet access on your existing computer at home will be provided by InterNAP, and other necessary and reasonable executive-level expenses related to your activities and responsibilities on behalf of the Company will be fully reimbursed to you by InterNAP.
- In addition to these provisions, your benefit and compensation package with InterNAP include all other items detailed in the attached summary.

It is a condition of this offer that, before commencing employment, you sign an Employee Confidentiality, Nonraiding and Noncompetition Agreement, which

contains additional requirements for the protection of our business. A copy of this standard document is enclosed for your review and execution. Compared to these types of agreements which other employers often require newly hired employees to sign, our standard form of this agreement is non-onerous, but if you have any questions or reservations about this agreement, I invite you to call me at your earliest convenience.

The employment opportunity that we offer is of indefinite duration and will continue as long as it is of mutual benefit to you and InterNAP. Either party is free to terminate the employment relationship at any time, with or without cause. Any statements to the contrary are not authorized and may not be relied upon.

Mike, I can't say enough about how excited we all are to have you joining the InterNAP family and taking the reins of our sales and marketing efforts. As you and I have discussed, InterNAP is now poised to become a significant national/global provider of high-performance IP services of all types, and joining our organization is a major step forward toward accomplishing this objective. We know you have the right blend of professionalism, experience, integrity, attitude and personal charisma to be the right man for the job we are placing you in. We look forward to your contributions and counsel and we, together as a management team, build InterNAP into a world-class company that delivers high value to its customers and its shareholders. Welcome to our family!

Please indicate you acceptance of the terms and conditions of this employment offer by signing and returning to me one of the two copies of this letter, along with our Confidentiality, Nonraiding, and Noncompetition Agreement.

Yours very truly,

/s/ ANTHONY C. NAUGHTIN

Anthony C. Naughtin
President/CEO

ACCEPTED:

ACN:1p
Attachment

/s/ MICHAEL ORTEGA

Michael Ortega

Date:

INTERNAP NETWORK SERVICES CORPORATION

MICHAEL ORTEGA -- VICE PRESIDENT OF SALES/MARKETING
COMPENSATION AND BENEFITS PACKAGE
(YEAR 1 OF EMPLOYMENT)

Benefits:

Full standard package (as discussed, though additional specifics will be provided)

Base Elements:

$120K base annual salary
350,000 stock options exercisable @ $.06 per share

Bonuses:

Up to $120K annual sales/marketing bonus -- based on revenue performance (starting at 70% of sales revenue quota: 70% of quota yields .7 of bonus total ($84K), 80% of quota yields .8 of bonus total ($96K), etc. up through 100% = $120K). Bonus installments shall be paid on a quarterly basis based upon proportional achievement of revenue performance goals (quota) within each quarter.

Override Bonus -- when sales revenue quota is exceeded, an additional bonus shall be paid in the form of stock options on the following basis: 110% of quota yields a stock option bonus total of 35,000 stock options; 120% of quota yields a stock option bonus total of 55,000 stock options; 130% of quota yields a stock option bonus total of 75,000 stock options; 140% of quota yields a stock option bonus total of 105,000 stock options; 155% of quota yields a stock option bonus total of 130,000 stock options. These options may be exercised at the discounted common stock price in effect at the time of option award (based on InterNAP stock valuation at that time).

Expense Reimbursement:

Full participation in executive level expense reimbursement, which includes reimbursement of all reasonable and necessary expenses that you incur on behalf of InterNap in execution of authorized management job tasks and responsibilities. This also includes reimbursement for company business use of a Sprint PCS phone.

Important Additional Items:

$30K draw against 1st year sales/marketing bonus (applied or recovered by InterNAP over the final 3 quarters).

Seattle living expenses: through first 4 months of employment (or until long-term residence is in place, whichever occurs first) InterNAP will pay in the range of $2,000-2,500 per month for apartment and living expenses.

Relocation package: TBD after 90-120 days.

Severance (within year 1 only): 120-day (base salary) severance only if terminated by InterNAP (except for termination for cause); payable up to time of new employment within 120 days.

INTERNAP NETWORK SERVICES CORP.

EMPLOYEE CONFIDENTIALITY, NONRAIDING AND NONCOMPETITION AGREEMENT

In consideration of my hire and continued employment by InterNAP Network Services Corporation ("InterNAP"), the continued compensation of me by InterNAP during my employment, and the disclosure to me of InterNAP's confidential and proprietary information, I agree to the following terms and conditions.

1. Employment. Employment will begin on _____. While employed by InterNAP, I shall devote my entire working time, attention, abilities and efforts to InterNAP's business and affairs, faithfully and diligently serve InterNAP's interests and refrain from engaging in any business or employment activity that is not on InterNAP's behalf (whether or not pursued for gain or profit), except for activities approved in writing in advance by InterNAP. My precise services may be extended or curtailed, from time to time, at the direction of InterNAP, and I shall assume and perform such further reasonable responsibilities and duties as may be assigned to me from time to time by InterNAP.

2. Termination. My employment may be terminated by either InterNAP or me at any time and for any reason, or for no reason, in either party's sole and absolute discretion.

3. Payment. I understand and agree that I will be compensated for my services as follows:

(a) Base Salary. A base annual salary of $120,000, payable in equal semi-monthly installments on approximately the 1st and 15th day of each month.

4. Confidentiality and Nondisclosure. I agree that information not generally known to the public to which I will be exposed as a result of my being employed by InterNAP is confidential information that belongs to InterNAP. This includes information developed by me, alone or with others, or entrusted to InterNAP by its customers or others. InterNAP's confidential information includes, without limitation, information relating to InterNAP's trade secrets, research and development, inventions, know-how, software, procedures, accounting, marketing, sales, creative and marketing strategies, employee salaries and compensation, and the identities of customers and active prospects to the extent not publicly disclosed (collectively, "Confidential Information"). I will hold InterNAP's Confidential Information in strict confidence, and not disclose or use it except as authorized by InterNAP and for InterNAP's benefit.

I further acknowledge and agree that in order to enable InterNAP to perform services for its customers or clients, such customers or clients may furnish to InterNAP certain Confidential Information, that the goodwill afforded to InterNAP depends upon InterNAP and its employees preserving the confidentiality of such information, and that such information shall be treated as Confidential Information of InterNAP for all purposes under this Agreement.

5. Noncompetition. I recognize and agree that InterNAP has many substantial, legitimate business interests that can be protected only by my agreement not to compete with InterNAP under certain circumstances. These interests include, without limitation, InterNAP's contacts and relationships with its clients and active prospects, InterNAP's reputation and goodwill in the industry, and InterNAP's rights in its Confidential Information. Therefore, I agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not, voluntarily or involuntarily, directly or indirectly, on my own behalf or on the behalf of another, approach, solicit, accept, receive or do work in the area of Inter/Intranet connectivity and hosting services for any account that was a client or active prospect of InterNAP, its parent or subsidiaries during the twelve (12) month period immediately preceding the date my employment with InterNAP ends. I may not, should the opportunity arise, accept a position of employment with any of the above specified clients or active prospects.

I also agree that during the term of my employment with InterNAP and for a period of one (1) year after my employment ends for any reason whatsoever, I shall not employ or seek to employ any person employed by InterNAP nor solicit or induce any such person to leave InterNAP.

6. Injunctive Relief. I acknowledge that the breach of threatened breach of the above noncompetition and/or nondisclosure provisions would cause irreparable injury to InterNAP that could not be adequately compensated by money damages. InterNAP may obtain a restraining order and/or injunction prohibiting my breach or threatened breach of the noncompetition and/or nondisclosure provisions, in addition to any other legal or equitable remedies that may be available. I agree that the above noncompetition provision, including its duration, scope and geographic extent, is fair and reasonably necessary to protect InterNAP's client relationships, goodwill, Confidential Information and other protectable interests.

7. Possession. I agree that upon request by InterNAP, and in any event upon termination of employment for any reason, I shall turn over to InterNAP all documents, notes, papers, data, files, office supplies or other material or work product in my possession or under my control which was created pursuant to, is connected with or derived from my services to InterNAP, or which is related in any manner to InterNAP's business activities or research and development efforts, whether or not such material is currently in my possession.

8. Waiver of Breach. The waiver of any breach of any provision of this Agreement or the failure to enforce any provision shall not be construed as a waiver of any later breach by any party.

9. Enforcement and Severability. If any portion of this Agreement becomes invalid or unenforceable, the rest of the Agreement shall be construed as if the invalid or unenforceable portion was omitted. The noncompletion and nondisclosure provisions shall be enforceable against me notwithstanding the existence of any claim I may have against InterNAP.

10. Governing Law. This Agreement shall be governed by the internal laws of the state of Washington without giving effect to provisions related to choice of laws or conflict of laws. Venue and jurisdiction of any lawsuit involving this Agreement or my employment shall exist exclusively in state and federal courts in King County, Washington, unless injunctive relief is sought by InterNAP, and in InterNAP's judgment, may not be effective unless obtained in some other venue.

11. Attorneys' Fees. In any lawsuit arising out of or relating to this Agreement or my employment, including without limitation arising from any alleged tort or statutory violation, the prevailing party shall recover its reasonable costs and attorneys' fees, including on appeal.

12. General. This Agreement may be modified, supplemented and/or amended only by a writing that both I and InterNAP sign. This Agreement, as it may be so amended, is the complete and final expression of my agreement with InterNAP on the subjects covered, and shall control over any other statement, representation or agreement on these subjects.

I have read this Agreement before signing it, and I acknowledge receipt of a signed copy.

/s/ MICHAEL ORTEGA

Michael Ortega

Date

EXHIBIT 10.25

August 27, 1999

InterNAP Network Services Corporation
601 Union Street

Suite 1000
Seattle, Washington 98101

RE: STANDBY LOAN FACILITY FOR INTERNAP NETWORK SERVICES CORPORATION

Gentlemen:

You have advised us that InterNAP Network Services Corporation (the "Borrower") would like to have up to $10,000,000 available for short term working capital requirements. David Cornfield, Dan Newell, Richard Saada, Paul Canniff, Robert Lunday, Todd Warren and Robert D. Shurtleff, Jr. ("Lenders"), and S.L. Partners, Inc., as administrative agent (the "Administrative Agent"), are pleased to confirm their commitment, in the pro rata amounts set forth opposite their names on Appendix 1 to the Summary of Terms attached hereto as Exhibit A (or, upon notice to Borrower, such other pro rata amounts as Lenders may decide among themselves), which is incorporated herein and made a part of this letter, and subject to the terms and conditions set forth below (the "Commitment"), to provide a revolving credit facility of $10,000,000 (the "Loan Facility") to the Borrower.

The basic terms and conditions governing the Loan Facility are contained in the Summary of Terms, which is incorporated herein and made part of this letter. Capitalized terms not defined in this letter have the meaning given to them in the Summary of Terms (this letter and the Summary of Terms are collectively referred to as the "Commitment Letter").

This Commitment Letter should not be construed as an attempt to define all the terms and conditions of the Loan Facility. The Commitment is subject to the negotiation, execution and delivery of definitive financing agreements reasonably satisfactory in form and substance to the Lenders. The definitive financing agreements will contain conditions, terms, covenants, representations and warranties and other provisions, which may reasonably be in addition to those set forth in the Summary of Terms but which will not be inconsistent with this Commitment Letter in any material respect.

The Commitment and all undertakings and agreements hereunder are subject to (a) the negotiation, execution and delivery of definitive financing agreements as set forth in the preceding paragraph, (b) the Borrower obtaining all governmental approvals (if any) and third party consents (including without limitation the consent of Silicon Valley Bank, any other creditors or equipment lenders and, if necessary, the waiver of the requirements in Section 4 of the Borrower's Amended and Restated Investors Rights Agreement) required in connection with the borrowing under and the fulfillment of the Borrower's obligations under the Loan Facility, (c) the Borrower continuing in the same line of business as the business in which it was engaged on the date of this Commitment Letter and (d) no event that would constitute an Event of Default (as defined in the Summary of Terms) having occurred. In the event any of the foregoing conditions are not fulfilled to the reasonable satisfaction of the Administrative Agent and the Lenders, the Commitment will terminate with no further obligation on the part of any of the Administrative Agent or the Lenders.

By executing a copy of this Commitment Letter, regardless of whether any of the definitive documentation for the Loan Facility is hereafter executed, the Borrower agrees to pay, indemnify and hold the, Administrative Agent, the Lenders and their affiliates and their respective directors, officers, employees and agents, and each other person controlling any of the foregoing (within the meaning of either Section 15 of the Securities Act of 1933, as amended, or

Section 20 of the Securities Exchange Act of 1934, as amended) (collectively, the "Indemnified Parties") harmless from and against any and all claims made by any person which give rise to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever against any of the Indemnified Parties with respect to or arising out of or in connection with this Commitment Letter or any investigation, litigation or proceeding otherwise related to the transactions contemplated hereby (all of the foregoing, collectively, the "Indemnified Matters"); provided, however, that the Borrower shall have no liability hereunder with respect to Indemnified Matters arising solely from the grossly negligent acts or willful misconduct of any person seeking indemnification.

The Borrower agrees to reimburse the Administrative Agent promptly for all its reasonable out-of-pocket expenses (including, without limitation, the reasonable legal fees and costs of one special counsel to the Administrative Agent) regardless of whether the transactions contemplated hereby are consummated.

This Commitment Letter may be executed by the signatories hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together one and the same agreement. This Commitment Letter constitutes the entire understanding among the parties hereto with respect to the subject matter hereof and replaces and supersedes all prior agreements and understandings.

THIS COMMITMENT LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF WASHINGTON. EACH PARTY HERETO AGREES THAT IN NO EVENT SHALL ANY PARTY TO THIS COMMITMENT LETTER SEEK FROM ANOTHER PARTY OR BE LIABLE TO ANOTHER PARTY FOR CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES UNDER CONTRACT, TORT OR OTHER THEORY OF LAW.

If you agree with the foregoing, please execute and return to the Agent at the address set forth below the enclosed copy of this Commitment Letter no later than 5:00 p.m., Washington time, on September 3, 1999. The Commitment will terminate at such time unless an executed copy of this Commitment Letter shall have been executed by you and delivered to the Administrative Agent prior to such time.

We look forward to working with you to achieve a successful implementation of the Loan Facility.

Very truly yours,

S.L. PARTNERS, INC.,
as Administrative Agent

By: /s/ ROBERT D. SHURTLEFF, JR.

Name: Robert D. Shurtleff, Jr.

Title: Agent, S.L. Partners, Inc.

Address: 422 34th Ave.
So. Seattle, Washington 98144

Facsimile: (206) 709-1485

/s/ David J. Cornfield

DAVID CORNFIELD, as a Lender

/s/ Dan Newell

DAN NEWELL, as a Lender

/s/ Richard A. Saada

RICHARD SAADA, as a Lender

/s/ Paul Canniff

PAUL CANNIFF, as a Lender

/s/ Robert J. Lunday, Jr.

ROBERT LUNDAY, as a Lender

/s/ Todd Warren

TODD WARREN, as a Lender

/s/ Robert D. Shurtleff, Jr.

ROBERT D. SHURTLEFF, JR., as a Lender

Agreed and accepted this 31st day of August 1999.

INTERNAP NETWORK SERVICES CORPORATION

By: /s/ Paul E. McBride

Printed Name: Paul E. McBride
Title: V.P. of Finance & Admin/CFO

EXHIBIT A

$10,000,000 LINE OF CREDIT

TO

INTERNAP NETWORK SERVICES CORPORATION

SUMMARY OF TERMS

Borrower:	InterNAP Network Services Corporation.
Loan Facility and Commitments:	A line of credit, the total commitment under which is $10,000,000 (the "Total Commitment"). Each Lender commits (a "Commitment") to providing a portion of the Total Commitment as set forth in APPENDIX 1 attached hereto and incorporated herein by reference (provided, however, that upon notice to Borrower, Lenders shall be entitled to change the pro rata amounts set forth in such APPENDIX 1 as Lenders may decide among themselves).
Administrative Agent:	S.L. Partners, Inc., a corporation wholly owned by Rob Shurtleff.
Lenders:	David Cornfield , Dan Newell, Richard Saada, Paul Canniff, Robert Lunday, Todd Warren and Robert D. Shurtleff, Jr. Each Lender will make loans (the "Loans") to the Borrower in an aggregate principal amount up to the amount of such Lender's Commitment. Within each Lender's Commitment, such Lender will fund his Pro Rata Share (as defined below) of each funding request, as described in "Funding Requests" below. No Lender shall be obligated to fund more than his Pro Rata Share of any funding request or to make Loans in an aggregate principal amount in excess of his Commitment.
Lenders' Pro Rata Share:	Each Lender's Pro Rata Share is (a) the ratio (expressed as a percentage) of the aggregate outstanding principal amount of Loans made by such Lender to the aggregate principal amount of all Loans outstanding under the Loan Facility or (b) if no such Loans are outstanding, the ratio (expressed as a percentage) of such Lender's Commitment to the Total Commitment.
Purpose:	Support short term working capital requirements of

Borrower.

Interest Rate: The outstanding principal of Loans comprising each funding request shall bear a fixed rate of interest equal to the Prime Rate (as published in The

Wall Street Journal) in effect on the date the Loans are made to Borrower plus 2%, which interest shall be payable at the maturity of the Loan Facility.

Default Interest: In the event Borrower fails to pay Lenders in full upon maturity of the Loan Facility, principal of each Loan outstanding under the Loan Facility will bear interest at the interest rate borne by such Loan plus 5%.

Funding Requests: Borrower may draw or make multiple draws at any time before December 31, 1999, upon ten (10) business days' written notice to the Administrative Agent. Each funding request shall specify the amount to be borrowed (which shall not be less than $1,000,000; provided, however, that if the then available funding under the Total Commitment is less than $1,000,000, then the funding request may be for such lesser amount) and the date of the requested funding (which shall be no earlier than the tenth (10th) business day following the date on which such notice is received by the Administrative Agent).

Each Lender will severally fund his Pro Rata Share of each funding request made by Borrower by depositing, no later than five (5) business days prior to the proposed funding date, his Pro Rata Share in immediately available funds to an account maintained by the Administrative Agent. Upon satisfaction of all conditions to funding (see "Conditions to Funding Requests" below), the Administrative Agent will make available to the Borrower the amount of the draw by the close of business on the funding date.

In the event any Lender (a "Defaulting Lender") fails to fund his Pro Rata Share of a borrowing (the "Unfunded Amount") five (5) business days prior to the funding date, the Administrative Agent shall on the next business day notify by telephone each other Lender (a "Non-Defaulting Lender") of such failure and offer such Non-Defaulting Lenders the opportunity to fund the Unfunded Amount, pro rata based on the ratio of the outstanding principal amount of each such Non-Defaulting Lender's Loans to the aggregate outstanding principal amount of all Loans made by Non-Defaulting Lenders (or, if no Loans are at the time outstanding the ratio of each Non-Defaulting Lender's Commitment to the Commitments of all Non-Defaulting Lenders). If, by the close of business on the second (2nd) business day following such telephonic notice, less than all of the Non-Defaulting Lenders notify the Administrative Agent that they desire to fund pro rata the Unfunded Amount, the Administrative Agent shall offer to any one or more Non-Defaulting Lenders the opportunity to fund on the funding date all or a portion of the Unfunded Amount.

Conditions to Funding Requests: The funding of the first draw request under the Loan Facility is subject to fulfillment of the following conditions to the reasonable satisfaction of the

Administrative Agent and the Lenders:

(a) Borrower, Lenders and Administrative Agent have entered into Loan Documents (as defined below) reasonably satisfactory to Lenders and Administrative Agent;

(b) All representations and warranties in the Loan Documents are true and correct in all material respects;

(c) No Event of Default or event which, with notice or lapse of time or both, would constitute an Event of Default has occurred and is continuing;

(d) All governmental consents required for the borrowing of the Loans or the performance of Borrower's obligations under the Loan Documents have been obtained and are in full force and effect;

(e) The consent of Borrower's existing lenders to the Loan Facility and to the payment of all outstanding Loans, upon completion of any debt or equity funding (excluding equipment financing transactions), prior to the paydown of Borrower's existing debt facilities has been obtained and is in full force and effect;

(f) All other consents or approvals of third parties required for the borrowing of the Loans or the performance of Borrower's obligations under the Loan Documents have been obtained and are in full force and effect;

(g) The Warrants have been executed by Borrower and delivered to the Administrative Agent; and

(h) Borrower shall have delivered such certificates and other documents as the Administrative Agent may reasonably request to confirm or evidence the foregoing.

The funding of any subsequent draw request is subject to fulfillment to the reasonable satisfaction of the Administrative Agent of the conditions identified in clauses (b) and (c) above.

Term and Maturity: The Loan Facility term will commence with Borrower's first draw under the Loan Facility (the "Commencement Date"). The Loan Facility will mature on the earlier to occur of: (1) the closing of Borrower's initial public offering, (2) the closing of Borrower's next private equity financing resulting in proceeds to Borrower in excess of $20,000,000, or (3) six (6) months from the Commencement Date. If the closing of the Borrower's

initial public offering or the closing of the Borrower's next private equity financing has not occurred during the first six (6) month term of the Loan Facility, Borrower will be entitled, at its option, to extend the maturity date for an additional six (6) month period. (See also "Warrants").

Optional Prepayment: Borrower may prepay all or part of the indebtedness owed to Lenders under the Loan Facility at any time without penalty or premium. Amounts prepaid may not be reborrowed.

Mandatory Prepayment:	Borrower shall prepay all of the Loans outstanding, together with all accrued interest, within two (2) business days of (1) the closing of the Borrower's initial public offering, (2) the closing of Borrower's next private equity financing or (3) the occurrence of a Change of Control. Amounts prepaid may not be reborrowed. "Change of Control" is defined as a material change in Borrower's ownership of greater that 49%.
Warrants:	Warrants to purchase 100,000 shares of common stock of Borrower will be issued to the Administrative Agent upon signing of definitive agreements for the Loan Facility (the "1999 Warrants"). Warrants to purchase an additional 100,000 shares of common stock will be issued to the Administrative Agent upon the extension of the Loan Facility for an additional six (6) month period (the "2000 Warrants" and, together with the 1999 Warrants, the "Warrants"). The 1999 Warrants will expire on December 31, 2004 and the 2000 Warrants will expire five (5) years following their date of issuance. All the Warrants will be struck at the offering price of Borrower's common stock in its initial public offering or in its next private equity financing, whichever occurs first. Additionally, the Warrants will have piggyback registration rights equivalent to the rights of holders of Series C Preferred Stock, subject to priority given to the existing holders of registration rights, but prior to any piggyback registration rights which may be given in connection with any subsequent series of Borrower's preferred stock. The Warrants will be initially issued to the Administrative Agent. Administrative Agent will be entitled to 5% of the Warrants as an agency fee. (See "Rights and Duties of Administrative Agent" below). Promptly following December 31, 1999, Administrative Agent (after deducting Warrants representing the agency fee) will transfer to each Lender (other than any Defaulting Lender) each Lender's Pro Rata Share of the remaining 1999 Warrants. If the 2000 Warrants are issued, Administrative Agent (after deducting Warrants representing the agency fee) will transfer to each Lender (other than any Defaulting Lender) each Lender's Pro Rata Share of the remaining 2000 Warrants.

Conversion Option:	In the event of a sale of Series D Preferred Stock, each Lender (other than any Defaulting Lender) will have the right to convert up to his Pro Rata Share of $2M (or the outstanding principal balance of the Loan Facility if less than $2M is outstanding) into shares of Series D Preferred stock. Any Defaulting Lender's right to convert Loans shall be allocated pro rata among the Non-Defaulting Lenders. The conversion right of any Lender who elects not to convert his Pro Rata Share shall be allocated among the other Lenders as reasonably determined by the Administrative Agent. The share price used to determine the conversion will be the price to be paid by other purchasers of the Series D Preferred Stock. To the extent that any Lender is an existing shareholder of Borrower, any Loans converted under this Loan Facility into Series D Preferred Stock will not impact the rights of participation such shareholders may currently have as holders of Series B or Series C Preferred Stock. In other words, Series D Preferred

Stock issuable upon conversion of Loans under this Loan Facility will be in addition to shares of Series D Preferred Stock that Lenders may otherwise be entitled to purchase individually in a Series D Preferred Stock sale.

Collateral: None.

Indemnity: Borrower will pay, indemnify and hold the Administrative Agent, the Lenders and their affiliates and their respective directors, officers, employees and agents, and each other person controlling any of the foregoing (within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended) (collectively, the "Indemnified Parties") harmless from and against any and all claims made by any person which give rise to liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever against any of the Indemnified Parties with respect to or arising out of or in connection with the Loan Facility, any of the Loan Documents or any investigation, litigation or proceeding otherwise related to the transactions contemplated hereby (all of the foregoing, collectively, the "Indemnified Matters"); provided that the Borrower shall have no liability hereunder with respect to Indemnified Matters arising solely from the grossly negligent acts or willful misconduct of any person seeking indemnification.

Loan Documents: Lenders and Administrative Agent will execute and deliver to Borrower such documentation ("Loan Documents") as Borrower may reasonably request in connection with the Loan Facility, including (a) a loan agreement and promissory note or notes, (b) to the extent required by Silicon Valley Bank, an agreement subordinating the rights of the Lenders to the rights of Silicon Valley Bank (other than the Lenders' right to

repayment in full prior to any other creditor of Borrower out of the proceeds of Borrower's initial public offering or next private equity financing) and (c) documentation relating to the Warrants and Conversion Option (which may include, among other matters, standard representations, warranties and covenants to Borrower related to the Warrants and Conversion Option). All Loan Documents must be in form and substance reasonably satisfactory to the Administrative Agent and Lenders in their reasonable discretion.

Representations; Covenants: The Loan Documents will contain representations and warranties and covenants customary for facilities similar to the Loan Facility.

Events of Default: The following shall constitute Events of Default under the Loan Documents:

(a) Borrower fails to pay when and as required under the Loan Documents any amounts owed to Lenders by Borrower under the Loan Documents;

(b) Any representation or warranty by Borrower made in any Loan Document, or which is contained in any certificate, document or financial or other statement by Borrower, furnished at any time under the Loan Documents, is incorrect in any material respect on or as of the date made or deemed made; provided, however, that

Borrower shall have 30 days after written notice thereof is given to Borrower by Administrative Agent to correct such inaccuracy;

(c) Borrower fails to perform or observe any covenant contained in the Loan Documents, and such default shall continue unremedied for a period of 30 days;

(d) Borrower becomes insolvent or if Borrower begins an insolvency proceeding or an insolvency proceeding is begun against Borrower and not dismissed or stayed within 30 days; or

(e) Borrower defaults in the payment of any indebtedness owed to Silicon Valley Bank or defaults in the performance of any other covenant under such indebtedness and, in either case, Silicon Valley Bank accelerates the maturity of such indebtedness.

Rights upon default: Upon the occurrence and during the continuation of an Event of Default, Administrative Agent, acting on behalf of Lenders, may exercise the following rights and remedies: (a) declare the Total Commitment to make loans under the Loan Facility terminated, (b) declare all amounts owing and payable under the Loan Documents (the "Obligations") to be immediately due and payable, and (c) proceed to enforce payment or

performance of the Obligations in such manner as they may elect in accordance with applicable law.

Fees and Expenses: Borrower will pay all reasonable out-of-pocket expenses of Administrative Agent (including fees and expenses of one counsel to Lenders) incurred in connection with preparation of loan documentation for the Loan Facility. Borrower will reimburse Administrative Agent for all reasonable out-of-pocket expenses incurred by Administrative Agent in connection with the administration of the Loan Facility or the enforcement, on behalf of the Lenders, of the Lenders' rights thereunder (including reasonable legal fees). No commitment fee will be payable by Borrower.

Rights and Duties Of Administrative Agent: The Administrative Agent shall have authority to act on behalf of the other Lenders and shall act as the sole contact with Borrower with respect to the administration of the Loan Facility, including, without limitation, for purposes of receiving payments and notices under the Loan Documents. No other Lender under the Loan Facility shall contact Borrower with respect to the administration of the Loan Facility.

The Loan Documents will contain customary agency provisions, including the agreement of Lenders (i) exculpating Administrative Agent from liability for acting in such capacity and (ii) indemnifying Administrative Agent for liabilities incurred in such capacity (other than as a result of Administrative Agent's own gross negligence or willful misconduct). Administrative Agent will not be a fiduciary of Lenders.

Lenders will reimburse Administrative Agent for all costs and expenses incurred in such capacity to the extent not reimbursed by Borrower or out of interest earnings on the agency account established and maintained by Administrative Agent for purposes of funding Loans. All earnings on such account not required

to be applied to reimbursement of expenses shall be for the account of Administrative Agent. In addition, as compensation for its agreement to serve in such capacity, Administrative Agent shall be entitled to five percent (5%) of all Warrants issued to Administrative Agent in connection with the Loan Facility. (See "Warrants" above.) Administrative Agent may transfer any Warrants so received to its sole shareholder, Rob Shurtleff. Any such Warrants will be in addition to Warrants to which Rob Shurtleff may be entitled as a Lender.

Administrative Agent shall not be required to take any discretionary action under the Loan Documents without the direction of Lenders holding in the aggregate Pro Rata Shares of more than 50% (the "Majority Lenders"). No amendments or waivers of any provision or condition under the Loan

Documents shall be effective without the written consent of the Majority Lenders, provided that no amendment or waiver shall reduce the amount or extend the scheduled date of maturity of the Loan Facility, reduce the stated interest rate, increase the amount or extend the expiration date of any Lender's Commitment under the Loan Facility or affect the right of any Lender to Warrants or the Conversion Option, in each case without the written consent of all Lenders. No amendment that would affect the rights or duties of Administrative Agent shall be effective without the written consent of Administrative Agent.

Other: Lenders will provide a statement to Borrower to establish the liquidity of the members of the lending syndicate. This information shall be kept confidential by Borrower, provided that Borrower may disclose such information to Silicon Valley Bank or, with the consent of Lenders, to any other third parties inquiring about the liquidity of Borrower, or as otherwise required by law, regulation or governmental order.

Lenders shall not require an opinion letter of Borrower's counsel.

EXHIBIT 10.26

FINANCIAL INNOVATORS

[FINOVA LOGO]

FINOVA CAPITAL CORPORATION
10 WATERSIDE DRIVE
FARMINGTON, CT 06032-3065
(860) 676-1818

MASTER LOAN AND SECURITY AGREEMENT

Master Loan and Security Agreement No. S7410 Dated August 23, 1999

FINOVA Capital Corporation ("we," "us" or "FINOVA"), having its principal place of business at 1850 North Central Avenue, Phoenix, Arizona 85004 is willing to make a loan (the "Loan") to InterNAP Network Services Corporation ("you" or "Borrower"), having its principal place of business at Two Union Square, 601 Union Street, Suite 1000, Seattle, WA 98101-4064, in one or more advances made from time to time (individually, an "Advance" and collectively, the "Advances"), in the aggregate principal amount of up to Five Million & 00/100 Dollars ($5,000,000.00), under the terms and conditions contained in this Master Loan and Security Agreement (this "Master Agreement"). The entire Loan will be "cross collateralized" and secured by the collateral (the "Collateral") described in each schedule (individually, a "Schedule" and collectively, "Schedules") which will be executed in connection with each Advance and the related Note (as hereinafter defined). The Collateral includes the Equipment hereinafter described and any and all replacement parts, additions, accessories and accessions that you may add to the Equipment, as well as all replacements and substitutions of the Equipment and all proceeds of the Equipment, including, without limitation, insurance proceeds. We may treat any Schedule as a separate loan and security agreement containing all of the provisions of this Master Agreement.

1. THE CREDIT

(a) ADVANCES. Each Advance shall be evidenced by and the specific terms applicable thereto set forth in a Note and related Schedule. All of the Notes and Schedules, taken together, will evidence the entire Loan. We will only make the Loan to you if all the conditions in this Master Agreement have been met to our satisfaction. We will rely on your representations and warranties contained in this Master Agreement, in making the Loan. The terms of this Master Agreement will each apply to the entire Loan.

(b) USE OF PROCEEDS. The proceeds of the Advances will be used solely to reimburse you for your payment of the purchase price for equipment which is reasonably satisfactory to us and which is described in the applicable Schedule ("Equipment"). If you have not yet paid for the Equipment (but the same is otherwise satisfactory to us), the proceeds of the Advance will be paid by us directly to the supplier (which you have chosen) to pay the purchase price of the Equipment.

(c) NOTES. Your obligation to repay the Advance and to pay interest thereon will be evidenced by separate secured promissory notes (individually, a "Note" and collectively, the

"Notes"). Each Note will be dated the date of the Schedule to which the Advance evidenced by the Note is related. The related Schedule will be deemed to be part of the Note.

(d) TERM. The term ("Term") of each Schedule (and the related Advance) begins upon the date that we make payment for the Collateral covered under the Schedule (the "Closing Date"). The Term continues until you fully perform all of your obligations under this Master Agreement, each related Schedule and the related Note(s).

(e) LOAN ACCOUNT. We will keep a loan account on our books and records for the Loan. We will record all payments of principal and interest in the loan account. Unless the entries in the loan account are clearly in error, the loan account will definitively indicate the outstanding principal balance and accrued interest on the Loan.

(f) PAYMENTS. The scheduled payments of principal and interest (the "Payments") are indicated on and due and payable in accordance with the terms of the applicable Note and Schedule. The Payments are payable in advance and otherwise on the dates and in the amounts set forth on the applicable Schedule.

(g) FIRST PAYMENT AND SUBSEQUENT PAYMENTS. The first Payment under a Note and Advance ("First Payment") is due at the beginning of its Term and shall, at our option, either be deducted from the proceeds of the Advance or paid directly to us by you. Subsequent Payments are due on the thirtieth (30th) day of each successive month as set forth on the Schedule until you pay to us in full all of the Payments and any other fees, costs, charges and expenses that you owe us.

(h) INTEREST. Prior to Maturity of an Advance, you will pay us interest on the Advance at the interest rate indicated in the applicable Schedule (the "Interest Rate"). "Maturity" means the scheduled maturity or any earlier date on which we accelerate the Loan. The Payment amount indicated in the Schedule includes interest at the applicable Interest Rate. Interest is calculated in advance using a year of 360 days with twelve months of 30 days.

(i) INTERIM INTEREST PAYMENT. If an Advance is made on a day other than the thirtieth (30th) or thirty-first (31st) day of a month, you will also pay to us, together with the First Payment, interest on the Advance at the applicable interest rate for the period from the date the Advance is made until the twenty-ninth (29th) day of the month in which the Advance is made. If an Advance is made on the thirty-first (31st) day of a month, you will also pay to us, together with the First Payment, interest on the Advance at the applicable interest rate for the period from the date the Advance is made until the twenty-ninth (29th) day of the following month. If an Advance is made on the thirtieth (30th) day of a month, no interim interest will be due.

(j) DEFAULT INTEREST RATE. After Maturity of the Loan or any Advance, you will pay us interest thereon at a rate of three (3%) percent per year above the applicable Interest Rate. This is referred to as the "Default Rate."

(k) USURY. You and we intend to obey the law. If the Interest Rate charged would exceed the maximum legal rate, you will only have to pay the maximum legal rate. You do not have to pay any excess interest over and above the maximum legal rate of interest. However, if it later becomes legal for you to pay all or part of any excess interest, you will then pay it to us upon our request.

(l) PAYMENT DETAILS. You will make all Payments due under this Master Agreement by 3:00 P.M., Connecticut time, on the day they are due. You will make all Payments in US Dollars (US$) in immediately available funds. We do not have to make or give "presentment, demand, protest or notice" to get paid. You waive "presentment, demand, protest and notice."

(m) APPLICATION OF PAYMENTS. Each Payment under this Master Agreement is to be applied in the following order: first, to any fees, costs, expenses and charges

you may owe us; second, to any interest due; and third to the principal balance.

(n) PREPAYMENT. You may prepay the Loan as specifically permitted by Exhibit B to the applicable Schedule.

(o) NO SETOFFS. Your obligation to pay us all Payments is absolute and unconditional. You are not excused from making the Payments, in full, for any reason. You agree that you have no defense for failure to make the Payments and you will not make any counterclaims or setoffs to avoid making the Payments.

2. SECURITY INTEREST

(a) You grant us a first and only lien on and security interest in the Collateral. The Collateral secures the full and timely payment and performance of all of your now existing or hereafter arising indebtedness, liabilities and obligations to us, whether under this Master Agreement, the Schedules, the Notes and any other agreement, loan or lease that you may at any time or times have with us or otherwise (collectively, the "Obligations"). You also grant us a security interest in any additional collateral identified in any Schedule. Any additional collateral is considered to be "Collateral" and it secures all of the Obligations.

(b) In the event of a default, if we request, you will put labels supplied by us stating "PROPERTY SUBJECT TO A SECURITY INTEREST HELD BY FINOVA CAPITAL CORPORATION" on the Collateral where they are clearly visible.

(c) You give us permission to add to this Master Agreement or any Schedule the serial numbers and other information about the Collateral.

(d) You give us permission to file this Master Agreement or Uniform Commercial Code financing statements, at your expense, in order to perfect our security interest in the Collateral. You also give us permission to sign your name on the Uniform Commercial Code financing statements where this is permitted by law.

(e) You will pay our costs and reasonable fees for documentation, closing, administration and termination of this Master Agreement, the Notes and Schedules. These fees include such items as reasonable attorneys fees and expenses incurred in preparing this Master Agreement and all agreements, instruments and documents executed in connection herewith, and all amendments, supplements and waivers hereto and thereto, as well as due diligence searches and fees for preparing and filing UCC terminations and releases. You will also pay any filing, recording or stamp fees or taxes resulting from filing this Master Agreement or Uniform Commercial Code financing statements.

(f) At your expense, you will defend our first priority security interest in the Collateral against, and keep the Collateral free of, any legal process, liens, other security interests, attachments, levies and executions, except for Permitted Liens. You will give us immediate written notice of any legal process, liens, attachments, levies or executions, and you will indemnify us against any loss that results to us from these causes.

(g) You will notify us at least 15 days before you change the address of your principal executive office or principal place of business. Your principal executive office and principal place of business are set forth at the beginning of this Master Agreement.

(h) You will promptly sign and return additional documents that we may reasonably request in order to protect our first priority security interest in the Collateral.

(i) Except as set forth in a Schedule, the Collateral is personal property and will remain personal property. Except as set forth in a Schedule, you will not incorporate it into real estate and will not do anything that will cause the Collateral to become part of real estate or a fixture.

3. CONDITIONS OF LENDING

(a) See our Commitment Letter to you dated March 22, 1999 (the "Commitment Letter"), which you and we consider to be a part of this Master

Agreement. The terms and conditions of the Commitment Letter continue following the making of the first Advance, including, without limitation, conditions to the Loan. However, if there is a conflict between the terms and conditions of this Master Agreement, any Schedule or any Note and the terms and conditions of the Commitment Letter, then you and we agree that the terms and conditions of this Master Agreement, the Schedules and the Notes control over the Commitment Letter terms and conditions.

(b) Before we disburse any proceeds of any Advance, we also require the following:

(i) That no payment is past due to us under any other agreement, loan or lease that you or any guarantor have with us.

(ii) That you are complying with all terms of this Master Agreement, the Schedules and the Notes and there are no defaults hereunder or thereunder.

(iii) That we have received all the documents we reasonably requested, including the signed Schedule and Note.

(iv) That there has been no material adverse change in your financial condition, business or operations, or that of any guarantor, from the financial condition that you or any guarantor have disclosed to us.

(v) All conditions contained in the Commitment Letter have been satisfied.

4. REPRESENTATIONS AND WARRANTIES

You represent and warrant to us as follows:

(a) You and each guarantor are duly organized, existing and in good standing wherever you or it are required by law to be so qualified and where the failure to so qualify would have a material adverse effect. You and each guarantor have full power and authority to execute, deliver and carry out the provisions of this Master Agreement, the Schedules and the Notes and to borrow hereunder and thereunder. This Master Agreement, the Schedules and the Notes are validly executed and delivered by you and the guarantors and are the legal, valid and binding obligations of you and the guarantors, each enforceable in accordance with its terms.

(b) Neither you nor any guarantor is a defendant under any material litigation and there are no judgments outstanding against you or any guarantor.

(c) All of the Equipment has been delivered to you and installed at the location set forth on the Schedule and you have accepted all of the Equipment for all purposes of this Master Agreement.

(d) You have good title to all of your assets, including, without limitation, the Collateral, and in the case of the Collateral, free and clear of all security interests, liens and other encumbrances, except for Permitted Liens. Upon filing of UCC-1 financing statements in all applicable filing offices, we will be granted a first and only perfected lien on and security interest in all of the Collateral. There are no other security interests, liens or encumbrances covering the Collateral, except for Permitted Liens. For purposes of this Master Agreement, "Permitted Liens" means (i) liens for taxes, assessments and other governmental charges or levies or the claims or demands of landlords, carriers, warehousemen, mechanics laborers, materialmen and other like persons arising by operation of law in the ordinary course of business for sums which are not yet due and payable; (ii) liens to secure the payment of sums which are not yet due and payable incurred in the ordinary course of business with respect to workers' compensation, unemployment insurance or other social security benefits or obligations; (iii) liens in favor of FINOVA; and (iv) liens in favor of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods, which liens are limited to the extent that such assets are in the possession of customs authorities.

(e) You have supplied us with information about the Collateral. You promise to us that the amount of our Advance as to each item of Equipment is no more than the fair and usual price for this kind of Equipment, taking into account any discounts, rebates and allowances that you or any affiliate of yours may have been given for the Equipment.

(f) The Collateral is located at the premises set forth on the Schedule.

(g) All financial information and other information that you or any guarantor have given us is true and complete as of the date given. You or any guarantor have not failed to tell us anything that would make the financial information not misleading. There has been no material adverse change in your financial condition, business or operations, or the financial condition of any guarantor, from the financial condition that you disclosed to us.

(h) To your knowledge, you have complied with all "environmental laws" and will continue to comply with all "environmental laws." No "hazardous substances" are used, generated, treated, stored or disposed of by you or at your properties except in compliance with all environmental laws. "Environmental laws" mean all federal, state or local environmental laws and regulations, including the following laws: CERCLA, RCRA, Hazardous Materials Transport Act and The Federal Water Pollution Control Act. "Hazardous substances" means all hazardous or toxic wastes, materials or substances, as defined in the environmental laws, as well as oil, flammable substances, asbestos that is or could become friable, urea formaldehyde insulation, polychlorinated biphenyls and radon gas.

5. COVENANTS

You agree to do the following things (or not to do the following things if so stated) until full payment of all amounts due to us under this Master Agreement, the Schedules and the Notes:

(a) CARE, USE, LOCATION, TRANSFER, ENCUMBRANCE AND ALTERATION OF THE COLLATERAL.

(i) You will make sure that the Collateral is maintained in good operating condition, and that it is serviced, repaired and overhauled when this is necessary to keep the Collateral in good operating condition. All maintenance must be done according to the Supplier's or Manufacturer's requirements or recommendations. All maintenance must also comply with any legal or regulatory requirements.

(ii) You will maintain service logs for the Collateral, if applicable, and permit us or our agents to inspect the Collateral, the service logs and service reports upon prior notice to you (except in a case of an event of default, in which case no notice is due). You give us and our agents permission to make copies of the service logs and service reports.

(iii) We will give you prior notice if we, or our agents, want to inspect the Collateral or the service logs or service reports. We may inspect it during regular business hours and not more than once a year unless an Event of Default has occurred and is continuing. If we find during an inspection that you are not complying with this Master Agreement or if you are otherwise in default under this Master Agreement, you (and not us) will pay our reasonable travel, meals and lodging costs, our salary costs, and our costs and fees and those of our agents for reinspection. You will promptly cure any problems with the Collateral that are discovered during our inspections.

(iv) You will use the Collateral only for business purposes. You will obey all legal and regulatory requirements in your use of the Collateral.

(v) You will make all additions, modifications and improvements to the Collateral that are required by law or government regulation. Otherwise, you will not alter the Collateral without our written permission. You will replace all worn, lost, stolen or destroyed parts of the Collateral with replacement parts that are as good

or better than the original parts. The new parts will become subject to our security interest upon replacement.

(vi) You will not remove the Collateral from the location indicated in the Schedule provided, however, that you may move the Collateral presently located at such location to another location located in the continental United States, but if and only if (a) you shall have given us not less than thirty (30) days prior written notice of the actual move and a list of all Collateral being so moved, (b) there is then no default hereunder, (c) if the new location is leased, prior to such move, we shall have received a Landlord Waiver to be in form and substance satisfactory to us, (d) we shall have been granted a first perfected lien and security interest on such moved Collateral and there shall be no other liens covering such Collateral (other than Permitted Liens), (e) you shall have executed and delivered to us all such agreements, instruments and documents reasonably requested by us in connection therewith, and (f) we shall have received satisfactory results of all due diligence searches (including, without limitation, environmental audits).

You may, however, move small items of Collateral with an aggregate total cost of $100,000 or less, without prior written notice to us. In such event, however, you agree to provide us with a list every other month throughout the term of a Schedule of what Collateral has been moved and designate the location where said Collateral was moved from and to.

(vii) You have and will have good and merchantable title to all of the Collateral.

(viii) You will not convey, assign, sell, mortgage, transfer, encumber, pledge, hypothecate, grant a security interest in, grant options with respect to, lease or otherwise dispose of all or any part of any interest whatsoever in or to any or all of the Collateral, or any interest therein, except for Permitted Liens.

(b) YEAR 2000 COMPLIANT.

You represent, warrant and agree to take all action necessary, including, but not limited to, due inquiry and due diligence with critical business partners to assure that there will be no material adverse change to your business by reason of the advent of the year 2000, including, without limitation, that all computer-based systems, embedded microchips and other processing capabilities effectively recognize and process all dates before and after December 31, 1999 ("Y2K Compliant"). At our request, you shall provide to us assurance reasonably acceptable to us that your computer-based systems, embedded microchips and other processing capabilities are Y2K Compliant.

(c) RISK OF LOSS.

(i) You have the complete risk of loss or damage to the Collateral. Loss or damage to the Collateral will not relieve you of your obligation to make the Payments.

(ii) If any Collateral is lost or damaged, you have two choices although if you are in default under this Master Agreement, we and not you will have the two options. The choices are:

(A) Repair or replace the damaged or lost Collateral so that, once again, the Collateral is in good operating condition and we have a perfected first priority security interest in it.

(B) Pay us the present value (as of the date of payment) of the remaining Payments. We will calculate the present value using a discount rate of five (5%) percent per year. Once you have paid us this amount and any other amount that you may owe us, we will release our security interest in the damaged or lost Collateral and you (or your insurer) may keep the Collateral for salvage purposes, on an "AS IS, WHERE IS" basis and without any representation or warranty whatsoever.

(d) INSURANCE.

(i) Until you have made all Payments to us under this Master Agreement, the Schedules and the Notes and all Obligations have been satisfied in full, you will keep the Collateral

insured. The amount of insurance, the coverage, and the insurance company must comply with the requirements of a letter dated July 17, 1999 from our Risk Management Department to you be.

(ii) If you do not provide us with written evidence of insurance that complies with such requirements,, we may buy the insurance ourselves, at your expense. You will promptly pay us the cost of this insurance. We have no obligation to purchase any insurance. Any insurance that we purchase will be our insurance, and not yours, and we may insure the Collateral beyond the date of satisfaction of the Obligations.

(iii) Insurance proceeds may be used to repair or replace damaged or lost Collateral or to pay us the present value of the Payments, as provided above.

(iv) Upon the occurrence of an Event of Default, you appoint us as your "attorney-in-fact" to make claims under the insurance policies, to receive payments under the insurance policies, and to endorse your name on all documents, checks or drafts relating to insurance claims for Collateral.

(e) TAXES.

(i) You will pay all sales, use, excise, stamp, documentary and ad valorum taxes, license, recording and registration fees, assessments, fines, penalties and similar charges imposed on the ownership, possession, use, lease or rental of the Collateral or on the Loan.

(ii) You will pay all taxes (other than our federal or state net income taxes) imposed on you or on us regarding the Payments.

(iii) You will reimburse us for any of these taxes that we pay or advance.

(iv) You will file and pay for any personal property taxes on the Collateral.

(f) INFORMATION SUPPLIED BY YOU AND ANY GUARANTOR.

(i) During the Term you will promptly provide us with copies of any current, quarterly and annual reports and all proxy (or information) statements you or any guarantor file with the Securities and Exchange Commission ("SEC").

(ii) You and any guarantor will also provide us with the following financial statements:

(A) Quarterly balance sheet and statements of earnings and cash flow - within 45 days after the end of your first three fiscal quarters in each fiscal year. These will be certified by the chief financial officer.

(B) Annual balance sheet and statements of earnings and cash flow - within 90 days after the end of each fiscal year. These will be audited by independent auditors reasonably acceptable to us. Their audit report must be unqualified.

All financial statements will be prepared according to generally accepted accounting principles, consistently applied. All financial statements and SEC filings that you or any guarantor provide us will be true and complete. They will not fail to tell us anything that would make them not misleading.

(iii) At the same time you deliver the financial statements described in paragraph 5(f)(ii)(A), you will also provide us with a certificate of your chief financial officer stating that no default exists, or, if he cannot certify this because a default does exist, he must specify in reasonable detail the nature of the default.

(iv) The audited financial statements described in paragraph 5(f)(ii)(B), must be accompanied by a certificate executed by your chief financial officer stating that no default exists, or, if it cannot certify this because a default does exist, it must specify in reasonable detail the nature of

the default.

6. DEFAULTS

(a) DEFAULTS. You are in default if any of the following happens:

(i) You do not pay us, within 5 days of when it is due, any Payment or other payment that you owe us under this Master Agreement, any Schedule or any Note or that you owe under any other agreement, loan, lease or other financial arrangement that you have with us.

(ii) Any of the financial information that you give us is not true and complete as of the date it is given, or you fail to tell us anything that would make the financial information not misleading.

(iii) You do something you are not permitted to do, or you fail to do anything that is required of you, under this Master Agreement, any Schedule and such breach continues uncured for a period of thirty (30) days after we have given written notice of such default to you; provided that such cure period shall not apply to any covenant relating to insurance covering the Collateral.

(iv) You do something you are not permitted to do or you fail to do anything that is required of you under any other lease, loan or other financial arrangement that you have with us and such action or failure continues uncured beyond the time period, if any, provided therein.

(v) An event of default occurs for any other lease, loan or obligation of yours (or any guarantor) that exceeds $100,000 in the aggregate.

(vi) You or any guarantor file bankruptcy, or involuntary bankruptcy is filed against you or any guarantor and such involuntary bankruptcy is not dismissed within sixty (60) days.

(vii) You or any guarantor are subject to any other insolvency proceeding other than bankruptcy (for example, a receivership action or an assignment for the benefit of creditors) and such proceeding that is involuntary is not dismissed within sixty (60) days.

(viii) Without our permission, which permission shall not be unreasonably withheld, you or any guarantor sell all or a substantial part of its assets, merge or consolidate, or a majority of your voting stock or interests (or any guarantor's voting stock or interests) is transferred.

(ix) There is a material adverse change in your financial condition, business or operations, or that of any guarantor.

(b) REMEDIES, DEFAULT INTEREST, LATE FEES.

If you are in default and the default is continuing, we may exercise one or more of our "remedies." Each of our remedies is independent. We may exercise any of our remedies, all of our remedies or none of our remedies. We may exercise them in any order we choose. Our exercise of any remedy will not prevent us from exercising any other remedy or be an "election of remedies." If we do not exercise a remedy, or if we delay in exercising a remedy, this does not mean that we are forgiving your default or that we are giving up our right to exercise the remedy. Our remedies allow us to do one or more of the following:

(i) "Accelerate" the Loan balance under any or all Notes. This means that we may require you to immediately pay us the entire outstanding principal balance of the entire Loan.

(ii) Require you to immediately pay us all amounts that you are required to pay us for the entire Term of any other agreements, loans, leases or financial arrangements that you have with us.

(iii) Sue you for the entire outstanding principal balance of the Loan and all other amounts you owe us (including, without limitation, all

accrued and unpaid interest, including interest at the Default Rate), outstanding fees, costs, expenses and charges, plus all prepayment premiums.

(iv) Require you at your expense to assemble the Collateral at a location we request in the United States of America.

(v) Exercise any remedy under the Uniform Commercial Code or otherwise permitted by law including to the extent permitted

retaking and removing the Collateral. If required, we may disconnect and separate the Collateral from your other property. You will not be entitled to any damages resulting from removal or repossession of the Collateral. We may use, ship, store, repair or lease any Collateral that we repossess. We may sell any repossessed Collateral at private or public sale. You give us permission to show the Collateral to buyers at your location free of charge during normal business hours. If we do this, we do not have to remove the Collateral from your location. If we repossess the Collateral and sell it, we will give you credit for the net sale price, after subtracting our costs of repossessing and selling the Collateral. If we rent the Collateral to somebody else, we will give you credit for the net rent received, after subtracting our costs of repossessing and renting the Collateral, but the credit will be discounted to present value using a discount rate equal to the Default Rate. The credit will be applied against what you owe us under this Master Agreement, the Schedules, the Notes and any other agreements, loans, leases and other financial arrangements that you have with us. If the credit exceeds the amount you owe under this Master Agreement, the Schedule, the Notes and any other agreements, loans, leases or financial arrangements that you have with us, we will refund the amount of the excess to you.

(vi) We will have all of our rights and remedies under this Master Agreement, the Notes, the Schedules and all agreements, instruments and documents executed in connection herewith and therewith and all of our rights and remedies under applicable law, whether as a secured party or otherwise.

(vii) Return conditions:

(A) Following a default, at our request you will return the Collateral, freight and insurance prepaid by you, to us at a location we request in the United States of America. It will be returned in good operating condition, as required by Section 5 above. The Collateral will not be subject to any liens when it is returned.

(B) You will pack or crate the Collateral for shipping in the original containers, or comparable ones. You will do this carefully and follow all recommendations of the Supplier and the Manufacturer as to packing or crating.

(C) You will also return to us the plans, specifications, operating manuals, software, documentation, discs, warranties and other documents furnished by the Manufacturer or Supplier. You will also return to us all service logs and service reports, as well as all written materials that you may have concerning the maintenance and operation of the Collateral.

(D) At our request, you will provide us with up to 60 days free storage of the Collateral at your location, and will let us (or our agent) have access to the Collateral in order to inspect it, display it to others for purchase and sell it.

(E) You will pay us what it costs us to repair the Collateral if you do not return it in the required condition.

(viii) You will also pay us the following:

(A) All our expenses of enforcing our remedies. This includes all our expenses to repossess, store, ship, repair and sell the Collateral.

(B) Our reasonable attorney's fees and expenses.

(C) Default interest on everything you owe us from the date of your default to the date on which we are paid in full at the Default Rate.

(D) A premium in the amount equal to the prepayment premium as set forth in Exhibit B to the applicable Schedule.

(ix) So long as you are not accruing interest at the Default Interest Rate, you will pay us a late fee whenever you pay any amount that you owe us more than ten (10) days after it is due. You will pay the late fee within one month after the late Payment was originally due. The late fee will be five (5%) percent of the late Payment. If this exceeds the highest legal amount we can charge you, you will only be required to pay the highest legal amount. The late fee is intended to

reimburse us for our collection costs that are caused by late Payment. Subject to the first sentence of this paragraph, it is charged in addition to all other amounts you are required to pay us, including Default Interest.

(x) You realize that the damages we could suffer as a result of your default are very uncertain. This is why we have agreed with you in advance on the Default Rate to be used in calculating the payments you will owe us if you default. You agree that, for these reasons, the payments you will owe us if you default are "agreed" or "liquidated" damages. You understand that these payments are not "penalties" or "forfeitures."

7. PERFORMING YOUR OBLIGATIONS IF YOU DO NOT

If you do not perform one or more of your obligations under this Master Agreement or a Schedule or Note, we may perform it for you. We will notify you in writing at least ten (10) days before we do this. We do not have to perform any of your obligations for you. If we do choose to perform them, you will pay us all of our expenses to perform the obligations. You will also reimburse us for any money that we advance to perform your obligations, together with interest at the Default Rate on that amount. These will be additional "Payments" that you will owe us and you will pay them at the same time that your next Payment is due.

8. INDEMNITY

(a) You will indemnify us, defend us and hold us harmless from and against any and all claims, expenses and attorney's fees concerning or arising from the Collateral, this Master Agreement, any Schedule or Note, or your breach of any representation, warranty or covenant. It includes, without limitation, any claims, losses or charges concerning, arising out of or in connection with the manufacture, selection, delivery, possession, use, operation or return of the Collateral and any claims, losses or damages concerning, arising out of or in connection with this Master Agreement, any Schedule or the Notes.

(b) This obligation of yours to indemnify us continues even after the Term is over.

9. MISCELLANEOUS

(a) ASSIGNMENT.

WE MAY ASSIGN OR GRANT A SECURITY INTEREST IN THIS MASTER AGREEMENT, ANY SCHEDULE, ANY NOTE OR ANY PAYMENTS WITHOUT YOUR PERMISSION. THE PERSON TO WHOM WE ASSIGN IS CALLED THE "ASSIGNEE." THE ASSIGNEE WILL NOT HAVE ANY OF OUR OBLIGATIONS UNDER THIS MASTER AGREEMENT. YOU WILL NOT BE ABLE TO RAISE ANY DEFENSE, COUNTERCLAIM OR OFFSET AGAINST THE ASSIGNEE. NOTWITHSTANDING ANY SUCH ASSIGNMENT OR GRANTING OF A SECURITY INTEREST, WE WILL CONTINUE TO BE LIABLE FOR ALL OF OUR OBLIGATIONS UNDER THIS MASTER AGREEMENT.

UNLESS YOU RECEIVE OUR WRITTEN PERMISSION, YOU MAY NOT ASSIGN OR TRANSFER YOUR RIGHTS UNDER THIS MASTER AGREEMENT OR ANY SCHEDULE. YOU ALSO ARE NOT ALLOWED TO LEASE OR RENT THE COLLATERAL OR LET ANYBODY ELSE USE IT UNLESS WE GIVE YOU OUR WRITTEN PERMISSION.

(b) ACCEPTANCE BY FINOVA, GOVERNING LAW, JURISDICTION, VENUE,

SERVICE OF PROCESS, WAIVER OF JURY TRIAL.

THIS MASTER AGREEMENT WILL ONLY BE BINDING WHEN WE HAVE ACCEPTED IT IN WRITING.

THIS MASTER AGREEMENT IS GOVERNED BY THE SUBSTANTIVE LAWS OF THE STATE OF ARIZONA (NOT INCLUDING THE "CHOICE OF LAW" DOCTRINE), THE STATE IN WHICH OUR OFFICE IS LOCATED IN

WHICH FINAL APPROVAL OF THE TERMS OR CONDITIONS OF THIS MASTER AGREEMENT OCCURRED AND FROM WHICH DISBURSEMENT OF THE LOAN PROCEEDS WILL BE ORDERED. HOWEVER, IF THIS MASTER AGREEMENT IS UNENFORCEABLE UNDER ARIZONA LAW, IT WILL INSTEAD BE GOVERNED BY THE LAWS OF THE STATE IN WHICH THE COLLATERAL IS LOCATED.

YOU MAY ONLY SUE US IN A FEDERAL OR STATE COURT THAT IS LOCATED IN MARICOPA COUNTY, ARIZONA. THIS APPLIES TO ALL LAWSUITS UNDER ALL LEGAL THEORIES, INCLUDING CONTRACT, TORT AND STRICT LIABILITY. YOU CONSENT TO THE PERSONAL JURISDICTION OF THESE ARIZONA COURTS. YOU WILL NOT CLAIM THAT MARICOPA COUNTY, ARIZONA, IS AN "INCONVENIENT FORUM" OR THAT IT IS NOT A PROPER "VENUE."

WE MAY SUE YOU IN ANY COURT THAT HAS JURISDICTION. WE MAY SERVE YOU WITH PROCESS IN A LAWSUIT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO YOUR ADDRESS INDICATED AFTER YOUR SIGNATURE BELOW.

YOU AND WE EACH WAIVE ANY RIGHT YOU OR WE MAY HAVE TO A JURY TRIAL IN ANY LAWSUIT BETWEEN YOU AND US.

(c) NOTICES. Your address for notices is your address set forth below your name on the signature page of this Master Agreement. We may give you written notice in person, by mail, by overnight delivery service, or by fax. Mail notice will be effective three (3) days after we deposit it with the U.S. Postal Service. Overnight delivery notice requires a receipt and tracking number. Fax notice requires a receipt from the sending machine showing that it has been sent to your fax number and received.

Our address for notices is our address set forth below our name on the signature page of this Master Agreement, with Attention: Director, Contract Administration. You will also give copies of all notices to us at our principal place of business at the address set forth in the opening paragraph of this Master Agreement, with attention to Vice President, Law Department. You may give us notice the same way that we may give you notice.

(d) GENERAL

This Master Agreement benefits our successors and assigns. This Master Agreement benefits only those successors and assigns of yours that we have approved in writing.

This Master Agreement binds your successors and assigns. This Master Agreement binds only those successors and assigns of ours that clearly assume our obligations in writing.

TIME IS OF THE ESSENCE OF THIS MASTER AGREEMENT

This Master Agreement, all of the Schedules and the Notes and the Commitment Letter are together the entire agreement between you and us concerning the Collateral.

Only an employee of FINOVA who is authorized by corporate resolution or policy may modify or amend this Master Agreement or any Schedule or Note on our behalf, and this must be in writing. Only he or she may give up any of our rights, and this must be in writing. If more than one person is the Borrower under this Master Agreement, then each of you is jointly and severally liable for your obligations under this Master Agreement and all Schedules and Notes. This Master Agreement is only for your benefit and for our benefit, as well as our successors and assigns. It is not intended to benefit any other person.

If any provision in this Master Agreement is unenforceable, then that provision must be deleted. Only unenforceable provisions are to be deleted. The rest of this Master Agreement will remain as written.

We may make press releases and publish a tombstone announcing this transaction and its

total amount. You may publicize this transaction with our prior written consent, which consent will not be unreasonably withheld.

LENDER:

FINOVA CAPITAL CORPORATION
10 WATERSIDE DRIVE
FARMINGTON, CT 06032-3065

BY: /s/ LINDA A. MOSCHITTO

PRINTED NAME: Linda A. Moschitto

TITLE: Director-Contract Administration

FAX NUMBER: (860) 676-1814

DATE ACCEPTED: September 1, 1999

BORROWER:

INTERNAP NETWORK SERVICES CORP.
2 UNION SQUARE BUILDING,
601 UNION STREET
SEATTLE, WA 98101

BY: /s/ JEFF ARROWSMITH

PRINTED NAME: Jeff Arrowsmith

TITLE: Director of Finance

Taxpayer ID# 91-1896926

FAX NUMBER: 206 264-1833

BY: /s/ PAUL E. MCBRIDE

PRINTED NAME: Paul E. McBride

TITLE: VP Finance & Admin/CFO

DATED:

STATE OF

COUNTY OF

I acknowledge that _____, who stated that he/she is _____ of the Borrower named above, signed this Master Loan and Security Agreement in my presence today: _____. He/She acknowledged to me that his/her signature on this Master Loan and Security Agreement was authorized by a valid resolution or other valid authorization from Borrower's board of directors or other governing body.

Notary Public

[SEAL]

PROMISSORY NOTE NO. 01

$997,746.59

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INTERNAP NETWORK SERVICES CORPORATION, a _____ corporation ("you"), promise to pay to the order of FINOVA CAPITAL CORPORATION ("we," "us" or "FINOVA") the principal amount of NINE HUNDRED NINETY-SEVEN THOUSAND SEVEN HUNDRED FORTY-SIX AND 59/100 Dollars ($997,746.59), together with interest on the unpaid principal balance at the interest rate per annum and on the dates and as otherwise provided in the "Master Agreement" and "Schedule" referred to below.

If the interest rate charged would exceed the maximum legal rate, you will only have to pay the maximum legal rate. You do not have to pay any excess interest over and above the maximum legal rate of interest. However, if it later becomes legal for you to pay all or part of any excess interest, you will then pay it to us upon our request.

You will make all payments in US Dollars at our offices at 10 Waterside Drive, Farmington, Connecticut 06032-3065, or to another address that we request in writing. All payments will be made in immediately available funds.

This Note is executed in connection with a Master Loan and Security Agreement dated August 23, 1999 (the "Master Agreement"), between you and us. This Note is one of the Notes referred to in the Master Agreement, is secured as provided therein, and by all collateral set forth on Exhibit A to the attached Schedule (the "Schedule"), dated the same date as this Note and made a part hereof, is entitled to all of the benefits of the Master Agreement and may be prepaid only as provided in Exhibit B to the Schedule. All of the terms contained in the Schedule are incorporated in full herein as if set forth in its entirety. This Note may be accelerated by us upon a payment default or upon another default under the Master Agreement or any agreement, instrument or document executed in connection herewith or therewith.

TIME IS OF THE ESSENCE.

So long as you are not accruing interest at the Default Interest Rate, if you do not make a payment within ten (10) days after the date it is due, you will also pay us a late charge of five percent (5%) of the amount past due. Your interest rate will be increased by three percent (3%) per annum, over and above your regular interest rate ("Default Interest Rate") if payment is not made at the scheduled or accelerated maturity of this Note. You will also pay all of our costs of collection, including our reasonable attorney's fees and expenses. If we accelerate this Note, you will also owe us a prepayment premium, as set forth in Exhibit B to the Schedule.

You waive diligence, presentment, formalities of demand, protest or notice of nonpayment or dishonor or any other notice as to this Note.

THIS NOTE IS GOVERNED BY THE SUBSTANTIVE LAWS (AND NOT THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ARIZONA, THE STATE IN WHICH OUR OFFICE IS LOCATED IN AND FROM WHICH FINAL APPROVAL OF THE TERMS AND CONDITIONS OF THIS NOTE OCCURRED AND FROM WHICH DISBURSEMENT OF THE LOAN PROCEEDS WAS ORDERED. YOU CONSENT TO THE JURISDICTION OF ANY FEDERAL OR STATE COURT LOCATED IN THE STATE OF ARIZONA. YOU WAIVE TRIAL BY JURY.

You represent to us that the proceeds of the Loan evidenced by this Note are being used to finance (or refinance) your purchase of the Collateral described in the Schedule, and that the Collateral will only be used for business purposes.

INTERNAP NETWORK SERVICES CORPORATION ATTEST:

By:

Name:

Title:

[Assistant] Secretary

15

SCHEDULE NO. 01 TO PROMISSORY NOTE NO. 01
AND
MASTER LOAN AND SECURITY AGREEMENT

Schedule No. 01, dated _____, 1999, (this "Schedule") to PROMISSORY NOTE NO. 01 and MASTER LOAN AND SECURITY AGREEMENT dated as of August 23, 1999 (the "Master Agreement") between INTERNAP NETWORK SERVICES CORPORATION, a _____corporation, with its executive office and principal place of business at Two Union Square Building, 601 Union Street, Suite 1000, Seattle, WA 98101 ("you"); and FINOVA CAPITAL CORPORATION, a Delaware corporation, with its executive office and principal place of business at 1850 North Central Avenue, Phoenix, Arizona 85004 ("we," "us", or "FINOVA").

1. Obligation to pay. You are presently borrowing NINE HUNDRED NINETY-SEVEN THOUSAND SEVEN HUNDRED FORTY-SIX AND 59/100 DOLLARS from us. This borrowing is evidenced by your promissory note dated the same date as this Schedule in the amount of NINE HUNDRED NINETY-SEVEN THOUSAND SEVEN HUNDRED FORTY-SIX AND 59/100 Dollars ($997,746.59) (the "Note") to which this Schedule is attached and made a part thereof.

2. Payments (Subject to adjustment in Paragraph 3). You will repay the Loan, together with interest at the interest rate described below, in forty-eight (48) consecutive monthly payments of principal and interest as follows: Forty-eight (48) consecutive monthly payments of principal and interest, each in the amount of $26,250.71. These payments will be adjusted two (2) business days prior to the date we make the Loan to you as set forth in Paragraph 3.

The first (1st) and forty-eighth (48th) monthly payments of principal and interest ("First Payment") will be due on the date that we make the Loan to you. Subsequent payments of principal and interest are due and payable on the thirtieth (30th) day of each and every month thereafter through and including the date upon which the Final Payment is scheduled to be due (the "Maturity Date"). Any remaining amount that you owe us is due on the Maturity Date. The First Monthly Payment of principal and interest (as well as any interim interest referred to below) shall, at our option, either be withheld from the proceeds of the Loan or paid directly to us by you.

If the Loan is made on a day other than the thirtieth (30th) or thirty-first (31st) day of a month, you will also pay to us, together with the First Payment, interest on the Loan at the interest rate for the period from the date we make the Loan to you until the twenty-ninth (29th) day of the same month. If the Loan is made on the thirty-first (31st) day of a month, you will also pay to us, together with the First Payment, interest on the Loan at the interest rate for the period from the date we make the Loan to you until the twenty-ninth (29th) day of the following month. If the Loan is made on the thirtieth (30th) day of a month, no such interim interest will be due.

3. Interest; Indexing. The interest rate in your payments shown above is calculated at the rate of 7.47% per annum plus an "Index Rate" of 5.64%. The Index Rate means the highest yield, as published in The Wall Street Journal of 4-year United States Treasury Notes. The Index

Rate of 5.64% was the Index Rate published in The Wall Street Journal on May 21, 1999. Two-business days prior to the date we make the Loan to you, we will read The Wall Street Journal to determine the final Index Rate. If the Index Rate is not published in The Wall Street Journal, we will determine it from another reliable source. We will increase or decrease the payments set forth above in Paragraph 2 to reflect any increase or decrease in the Index Rate on such date. We will give you notice of any increase as soon as we can. You will pay the increased or decreased payments unless we have made an obvious mistake in our calculations. Interest is calculated in advance using a 360-day year of twelve 30-day months.

4. Purpose of Loan; Security Interest. You are making this borrowing to finance (or refinance) your purchase of the equipment described in the attached Exhibit A to this Schedule (the "Equipment"). The Equipment, together with all other property described on the attached Exhibit A is hereinafter referred to as the "Collateral". The Collateral includes, without limitation, the Equipment and all replacement parts, additions, accessories and accessions thereto, all replacements and substitutions thereof and all proceeds of the foregoing, including, without limitation, insurance proceeds. In order to secure all of the Obligations (as defined in the Master Agreement), you grant us a first lien on and security interest in the Collateral, as well as any additions, omissions, substitutions and proceeds of the Collateral, including, without limitation, insurance proceeds. You also grant us a security interest in any leases and rentals of the Collateral. This security interest secures the Note. It also secures the full and timely payment and performance of all of your other Obligations to us, whether under the Master Agreement, any other agreement, loan or lease that you may have with us, or otherwise.

5. Collateral Acceptance Date. The Equipment shall be delivered, installed and accepted no later than April 30, 2000.

6. Terms of Master Agreement. The terms of the Master Agreement are made a part of this Schedule as if repeated in its entirety in this Schedule. Any declaration of default under the Master Agreement is a default under this Schedule and permits us to exercise all remedies provided by the Master Agreement.

INTERNAP NETWORK SERVICES CORPORATION

By: ----------

Name: ----------

Title: ----------

Date: ----------

ATTEST:

[Assistant] Secretary

EXHIBIT A TO SCHEDULE NO. 01

Collateral

All of the following property, in each case, whether now existing or hereafter arising, now owned or hereafter acquired, wherever located:

(a) all of the following new machinery, equipment, fixtures and other assets ("Equipment") consisting of new office furniture, computers, network equipment, servers, phone, routers and communications equipment as more fully detailed and described on Schedule A attached hereto and made a part hereof.

(b) all accessions and additions thereto, substitutions for, and all replacements of, any and all of the foregoing, and all proceeds of the foregoing, cash and non-cash, including insurance proceeds.

EQUIPMENT LOCATION: See Schedule A attached hereto and made a part hereof.

ACCEPTED AND AGREED TO THIS _____ DAY OF AUGUST, 1999.

INTERNAP NETWORK SERVICES CORPORATION

By:

Title:

EXHIBIT B TO SCHEDULE NO. 01
Prepayment

You may not prepay the Advance evidenced by the Note, in whole or in part, prior to the date that you make the thirty-first (31st) timely consecutive monthly Payment. You shall have the right, upon not less than thirty (30) days prior written notice to us, on any regularly scheduled Payment date occurring after the thirty-first (31st) regularly scheduled Payment date, to prepay the outstanding principal balance of the Advance in whole, but not in part, provided that you shall pay to us, together with the entire principal balance of the Advance, (i) all accrued and unpaid interest on the amount prepaid through the date of prepayment, (ii) all outstanding fees, charges and other amounts then due under the Master Agreement, Schedule, Note and all of the other agreements, instruments and documents executed in connection herewith, and (iii) a prepayment fee in an amount equal to the product of (A) the outstanding principal balance of the Advance at the time of prepayment, times (B) the applicable percentage set forth opposite the month of the Term in which the prepayment occurs, as set forth below:

Number of Month of the Term	Percentage
0 through and including 30	No prepayment permitted
31 through and including 36	2.45%
37 through and including 48	1.25%

Once you give us a notice of prepayment, that notice is final and irrevocable. If we accelerate the Loan following a default, the default will be deemed to be a means to avoid the prepayment premium, and you will also owe us a prepayment premium calculated as if the Advance were prepaid on the date of acceleration. If no prepayment is permitted, the premium due upon acceleration will be five (5%) percent of the outstanding principal balance.

If you prepay the Advance under the Note, you must prepay all other Advances and the entire outstanding principal balance of the Loan and Master Agreement and all Notes, and pay to us the applicable premiums due under those Notes as well as all other costs, fees, charges and other amounts due under the Master Agreement, the Notes, the Schedules and all other agreements, instruments and documents.

PROMISSORY NOTE NO. 02

$881,516.86

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INTERNAP NETWORK SERVICES CORPORATION, a _____ corporation ("you"), promise to pay to the order of FINOVA CAPITAL CORPORATION ("we," "us" or "FINOVA") the principal amount of EIGHT HUNDRED EIGHTY-ONE THOUSAND FIVE HUNDRED SIXTEEN AND 86/100 Dollars ($881,516.86), together with interest on the unpaid principal balance at the interest rate per annum and on the dates and as otherwise provided in the "Master Agreement" and "Schedule" referred to below.

If the interest rate charged would exceed the maximum legal rate, you will only have to pay the maximum legal rate. You do not have to pay any excess interest over and above the maximum legal rate of interest. However, if it later becomes legal for you to pay all or part of any excess interest, you will then pay it to us upon our request.

You will make all payments in US Dollars at our offices at 10 Waterside Drive, Farmington, Connecticut 06032-3065, or to another address that we request in writing. All payments will be made in immediately available funds.

This Note is executed in connection with a Master Loan and Security Agreement dated August 23, 1999 (the "Master Agreement"), between you and us. This Note is one of the Notes referred to in the Master Agreement, is secured as provided therein, and by all collateral set forth on Exhibit A to the attached Schedule (the "Schedule"), dated the same date as this Note and made a part hereof, is entitled to all of the benefits of the Master Agreement and may be prepaid only as provided in Exhibit B to the Schedule. All of the terms contained in the Schedule are incorporated in full herein as if set forth in its entirety. This Note may be accelerated by us upon a payment default or upon another default under the Master Agreement or any agreement, instrument or document executed in connection herewith or therewith.

TIME IS OF THE ESSENCE.

So long as you are not accruing interest at the Default Interest Rate, if you do not make a payment within ten (10) days after the date it is due, you will also pay us a late charge of five percent (5%) of the amount past due. Your interest rate will be increased by three percent (3%) per annum, over and above your regular interest rate ("Default Interest Rate") if payment is not made at the scheduled or accelerated maturity of this Note. You will also pay all of our costs of collection, including our reasonable attorney's fees and expenses. If we accelerate this Note, you will also owe us a prepayment premium, as set forth in Exhibit B to the Schedule.

You waive diligence, presentment, formalities of demand, protest or notice of nonpayment or dishonor or any other notice as to this Note.

THIS NOTE IS GOVERNED BY THE SUBSTANTIVE LAWS (AND NOT THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ARIZONA, THE STATE IN WHICH OUR OFFICE IS LOCATED IN AND FROM WHICH FINAL APPROVAL OF THE TERMS AND CONDITIONS OF THIS NOTE OCCURRED AND FROM WHICH DISBURSEMENT OF THE LOAN PROCEEDS WAS ORDERED. YOU CONSENT TO THE JURISDICTION OF ANY FEDERAL OR STATE COURT LOCATED IN THE STATE OF ARIZONA. YOU

WAIVE TRIAL BY JURY.

You represent to us that the proceeds of the Loan evidenced by this Note are being used to finance (or refinance) your purchase of the Collateral described in the Schedule, and that the Collateral will only be used for business purposes.

INTERNAP NETWORK SERVICES CORPORATION ATTEST:

By:

Name:

Title:

[Assistant] Secretary

SCHEDULE NO. 02 TO PROMISSORY NOTE NO. 02
AND
MASTER LOAN AND SECURITY AGREEMENT

Schedule No. 02, dated _____, 1999, (this "Schedule") to PROMISSORY NOTE NO. 02 and MASTER LOAN AND SECURITY AGREEMENT dated as of August 23, 1999 (the "Master Agreement") between INTERNAP NETWORK SERVICES CORPORATION, a _____corporation, with its executive office and principal place of business at Two Union Square Building, 601 Union Street, Suite 1000, Seattle, WA 98101 ("you"); and FINOVA CAPITAL CORPORATION, a Delaware corporation, with its executive office and principal place of business at 1850 North Central Avenue, Phoenix, Arizona 85004 ("we," "us", or "FINOVA").

1. Obligation to pay. You are presently borrowing EIGHT HUNDRED EIGHTY-ONE THOUSAND FIVE HUNDRED SIXTEEN AND 86/100 Dollars ($881,516.86) from us. This borrowing is evidenced by your promissory note dated the same date as this Schedule in the amount of EIGHT HUNDRED EIGHTY-ONE THOUSAND FIVE HUNDRED SIXTEEN AND 86/100 Dollars ($881,516.86) (the "Note") to which this Schedule is attached and made a part thereof.

2. Payments (Subject to adjustment in Paragraph 3). You will repay the Loan, together with interest at the interest rate described below, in thirty-six (36) consecutive monthly payments of principal and interest as follows: Thirty-six (36) consecutive monthly payments of principal and interest, each in the amount of $29,222.28 These payments will be adjusted two (2) business days prior to the date we make the Loan to you as set forth in Paragraph 3.

The first (1st) and thirty-sixth (36th) monthly payments of principal and interest ("First Payment") will be due on the date that we make the Loan to you. Subsequent payments of principal and interest are due and payable on the thirtieth (30th) day of each and every month thereafter through and including the date upon which the Final Payment is scheduled to be due (the "Maturity Date"). Any remaining amount that you owe us is due on the Maturity Date. The First Monthly Payment of principal and interest (as well as any interim interest referred to below) shall, at our option, either be withheld from the proceeds of the Loan or paid directly to us by you.

If the Loan is made on a day other than the thirtieth (30th) or thirty-first (31st) day of a month, you will also pay to us, together with the First Payment, interest on the Loan at the interest rate for the period from the date we make the Loan to you until the twenty-ninth (29th) day of the same month. If the Loan is made on the thirty-first (31st) day of a month, you will also pay to us, together with the First Payment, interest on the Loan at the interest rate for the period from the date we make the Loan to you until the twenty-ninth (29th) day of the following month. If the Loan is made on the thirtieth (30th) day of a month, no such interim interest will be due.

3. Interest; Indexing. The interest rate in your payments shown above is calculated at the rate of 7.45% per annum plus an "Index Rate" of 5.64%. The Index Rate means the highest yield, as published in The Wall Street Journal of 4-year United States Treasury Notes. The Index

Rate of 5.64% was the Index Rate published in The Wall Street Journal on May 21, 1999. Two-business days prior to the date we make the Loan to you, we will read The Wall Street Journal to determine the final Index Rate. If the Index Rate is not published in The Wall Street Journal, we will determine it from another reliable source. We will increase or decrease the payments set forth above in Paragraph 2 to reflect any increase or decrease in the Index Rate on such date. We will give you notice of any increase as soon as we can. You will pay the increased or decreased payments unless we have made an obvious mistake in our calculations. Interest is calculated in advance using a 360-day year of twelve 30-day months.

4. Purpose of Loan; Security Interest. You are making this borrowing to finance (or refinance) your purchase of the equipment described in the attached Exhibit A to this Schedule (the "Equipment"). The Equipment, together with all other property described on the attached Exhibit A is hereinafter referred to as the "Collateral". The Collateral includes, without limitation, the Equipment and all replacement parts, additions, accessories and accessions thereto, all replacements and substitutions thereof and all proceeds of the foregoing, including, without limitation, insurance proceeds. In order to secure all of the Obligations (as defined in the Master Agreement), you grant us a first lien on and security interest in the Collateral, as well as any additions, omissions, substitutions and proceeds of the Collateral, including, without limitation, insurance proceeds. You also grant us a security interest in any leases and rentals of the Collateral. This security interest secures the Note. It also secures the full and timely payment and performance of all of your other Obligations to us, whether under the Master Agreement, any other agreement, loan or lease that you may have with us, or otherwise.

5. Collateral Acceptance Date. The Equipment shall be delivered, installed and accepted no later than April 30, 2000.

6. Terms of Master Agreement. The terms of the Master Agreement are made a part of this Schedule as if repeated in its entirety in this Schedule. Any declaration of default under the Master Agreement is a default under this Schedule and permits us to exercise all remedies provided by the Master Agreement.

INTERNAP NETWORK SERVICES CORPORATION ATTEST:

By: ----------

Name: ----------

Title: ----------

Date: ----------

---------- [Assistant] Secretary

EXHIBIT A TO SCHEDULE NO. 02

Collateral

All of the following property, in each case, whether now existing or hereafter arising, now owned or hereafter acquired, wherever located:

(a) all of the following software which is more fully detailed and described on Schedule A attached hereto and made a part hereof.

(b) all accessions and additions thereto, substitutions for, and all replacements of, any and all of the foregoing, and all proceeds of the foregoing, cash and non-cash, including insurance proceeds.

EQUIPMENT LOCATION: See Schedule A attached hereto.

ACCEPTED AND AGREED TO THIS _____ DAY OF AUGUST, 1999.

INTERNAP NETWORK SERVICES CORPORATION

By:

Title:

EXHIBIT B TO SCHEDULE NO. 02

Prepayment

You may not prepay the Advance evidenced by the Note, in whole or in part, prior to the date that you make the twenty-fifth (25th) timely consecutive monthly Payment. You shall have the right, upon not less than thirty (30) days prior written notice to us, on any regularly scheduled Payment date occurring after the twenty-fifth (25th) regularly scheduled Payment date, to prepay the outstanding principal balance of the Advance in whole, but not in part, provided that you shall pay to us, together with the entire principal balance of the Advance, (i) all accrued and unpaid interest on the amount prepaid through the date of prepayment, (ii) all outstanding fees, charges and other amounts then due under the Master Agreement, Schedule, Note and all of the other agreements, instruments and documents executed in connection herewith, and (iii) a prepayment fee in an amount equal to the product of (A) the outstanding principal balance of the Advance at the time of prepayment, times (B) the applicable percentage set forth opposite the month of the Term in which the prepayment occurs, as set forth below:

Number of Month of the Term	Percentage
0 through and including 24	No prepayment permitted
25 through and including 36	3.15%

Once you give us a notice of prepayment, that notice is final and irrevocable. If we accelerate the Loan following a default, the default will be deemed to be a means to avoid the prepayment premium, and you will also owe us a prepayment

premium calculated as if the Advance were prepaid on the date of acceleration. If no prepayment is permitted, the premium due upon acceleration will be five (5%) percent of the outstanding principal balance.

If you prepay the Advance under the Note, you must prepay all other Advances and the entire outstanding principal balance of the Loan and Master Agreement and all Notes, and pay to us the applicable premiums due under those Notes as well as all other costs, fees, charges and other amounts due under the Master Agreement, the Notes, the Schedules and all other agreements, instruments and documents.

Initial

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Amendment No. 1 to Form S-1 of our reports dated April 2, 1999 relating to the financial statements and financial statement schedule of InterNAP Network Services Corporation, which appear in such Registration Statement. We also consent to the reference to us under the headings "Experts" and "Selected Financial Data" in such Registration Statement.

Seattle, Washington
September 2, 1999