FIRST BANCORP /PR/
Form 4
June 13, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Odell Lawrence

(Last) (First) (Middle)

P.O. BOX 9146

(Street)

SAN JUAN, PR 00908-0146

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FIRST BANCORP /PR/ [FBP]

3. Date of Earliest Transaction (Month/Day/Year)
06/11/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP and General Counsel

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
First BanCorp Common Stock	06/11/2014		A		535 (1)	A	$ 5.39 (1)	198,806	D	
First BanCorp Common Stock	06/11/2014		F		163 (1)	D	$ 5.39 (1)	198,643	D	
First BanCorp Common Stock								1,333 (2)	I	Reporting Person's Children

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Odell Lawrence P.O. BOX 9146 SAN JUAN, PR 00908-0146			EVP and General Counsel	

Signatures

/s/ Lawrence Odell	06/13/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Salary stock issued bi-weekly as a portion of the reporting person's salary compensation under the First BanCorp 2008 Omnibus Incentive Plan, as amended. Salary stock is fully vested on the date of grant. The number of shares represented by this award was determined by dividing the dollar value of the award granted to the reporting person by $5.39 (the closing price of the Issuer's common stock as quoted on the NYSE on June 11, 2014, the last trading day of the pay period). The shares reported as disposed of were withheld for taxes.

(2) 1,333 shares were acquired for the benefit of the reporting person's children.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ng the third quarter of 2005 as compared to the second quarter of 2005. As a result of

additional purchases in the third quarter of 2005, as well as equipment acquired with the acquisition of Speedera Networks, Inc., or Speedera, we believe that depreciation expense related to our network equipment will continue to increase, on a quarterly basis, during the remainder of 2005 and in 2006 as we continue to invest in network infrastructure equipment. We expect that the amortization of internal-use software development costs, which we include in cost of revenues, will continue to increase as we continue to enhance and add functionality to our service offerings which will increase the amount of capitalized internal-use software costs. We expect that equity compensation costs will increase during the remainder of 2005 due to equity awards issued in connection with the acquisition of Speedera and deferred stock units issued to members of our Board of Directors in May and July 2005. Statement of Financial Accounting Standards, or SFAS, No. 123R, Share-Based Payment (revised 2004), which will be applicable to us during the first quarter of 2006, will require us to record compensation expense for employee stock awards at fair value at the time of grant. Upon adoption, we anticipate a further increase in our equity-based compensation expense which will cause our expected net income to decrease significantly in the future because we have a significant number of unvested employee options outstanding and we expect to continue to grant equity-based compensation in the future. During the third quarter of 2005, we released most of our U.S. and foreign deferred tax asset valuation allowance. Based upon our cumulative operating results through September 30, 2005 and an assessment of our expected future results, we determined that it is more likely than not that our deferred tax assets will be realized. During the third quarter of 2005, we released $321.8 million of our deferred tax asset valuation allowance, of which $255.3 million of the valuation release was recorded as a discrete income tax benefit in our statement of operations for such quarter.

Based on our analysis of the aforementioned trends and events, we expect to continue to generate net income on a quarterly basis during the remainder of 2005 and in 2006; however, our future results will be affected by many factors identified below in Factors Affecting Future Operating Results, including our ability to:

increase our revenue by adding customers through long-term contracts and limiting customer cancellations and terminations;

maintain the prices we charge for our services;

prevent disruptions to our services and network due to accidents or intentional attacks;

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maintain our network bandwidth costs and other operating expenses consistent with our revenues; and

successfully complete the integration of Speedera.

As a result, there is no assurance that we will achieve our expected financial objectives, including a positive net income.

Recent Events

On October 18, 2005, the Company announced that its Chief Financial Officer will retire in early 2006.

On October 31, 2005, we entered into an agreement with an underwriter pursuant to which the underwriter purchased 12,000,000 shares of our common stock at a price of $16.855 per share in connection with a public offering. Our net proceeds from the offering were approximately $202 million after related expenses. We have also granted to the underwriter an option, exercisable for 30 days after the closing of the offering, to purchase up to an additional 1,800,000 shares of our common stock solely for the purpose of covering overallotments, if any.

Critical Accounting Policies and Estimates

Our management s discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements included elsewhere in this quarterly report on Form 10-Q, which have been prepared by us in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related items, including, but not limited to, accounts receivable reserves, investments, intangible assets, income and other taxes, depreciable lives of property and equipment, restructuring accruals and contingent obligations. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates. See the section entitled Application of Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2004 for further discussion of these critical accounting policies and estimates. There were no material changes to our critical accounting policies during the quarter ended September 30, 2005.

Results of Operations

Revenues. We derive revenue from sales of services and granting licenses of technology and data. Total revenues increased 42%, or $22.4 million, to $75.7 million for the three months ended September 30, 2005 as compared to $53.3 million for the three months ended September 30, 2004. For the nine months ended September 30, 2005, total revenues increased 32%, or $48.0 million, to $200.5 million as compared to $152.4 million for the nine months ended September 30, 2004. The increase in total revenues for the three and nine months ended September 30, 2005 as compared to the same periods in the prior year was primarily attributable to an increase in service revenue of $23.4 million and $49.3 million in the three and nine months ended September 30, 2005, respectively. The increase in service revenue was primarily attributable to an increase in the number of customers under recurring revenue contracts, as well as an increase in traffic delivered and additional services sold to new and existing customers. Additionally, the service revenue for both the three and nine months ended September 30, 2005, included revenue contributed by the former Speedera operations from June 10, 2005, the acquisition date, to the end of the third quarter. As of September 30, 2005, we had 1,830 customers under recurring revenue contracts as compared to 1,258 as of September 30, 2004.

For the three and nine months ended September 30, 2005, software and software-related revenues decreased $1.0 million and $1.3 million, respectively, as compared to the same periods in the prior year. Software and software-related revenues includes sales of customized software projects and technology licensing. The decrease in software and software-related revenues over the periods presented reflect a reduction in the number of customized software projects that we undertook for customers and a decrease in the number of software licenses executed with customers.

For the three months ended September 30, 2005 and 2004, 20% and 18%, respectively, of our total revenues were derived from our operations located outside of the United States, including 15% and 14%, respectively, derived from Europe. For the nine months ended September 30, 2005 and 2004, 21% and 18%, respectively, of our total revenues were derived from our operations located outside of the United States, including 16% and 14%, respectively, derived from Europe. No single country outside of the United States accounted for 10% or more of revenues during these periods. Resellers accounted for 24% of total revenues for each of the three and nine-month periods ended September 30, 2005 as compared to 26% of revenues for each of the three and nine-month periods ended September 30, 2004. For the three and nine-month periods ended September 30, 2005, no customer accounted for 10% or more of total revenues. For the three and nine-month periods ended September 30, 2004, one customer accounted for 10% and 11%, respectively, of total revenues. No other customer accounted for 10% or more of revenues during these periods.

Cost of Revenues. Cost of revenues includes fees paid to network providers for bandwidth and co-location of our network equipment. Cost of revenues also includes payroll and related costs and equity-related compensation for network operations personnel, cost of licenses, depreciation of network equipment used to deliver our services and amortization of internal-use software.

Cost of revenues increased 30%, or $3.5 million, to $15.3 million for the three months ended September 30, 2005 as compared to $11.7 million for the three months ended September 30, 2004. For the nine months ended September 30, 2005, cost of revenues increased 13%, or $4.6 million, to $39.6 million as compared to $35.0 million for the nine months ended September 30, 2004. These increases were primarily due to an increase in aggregate bandwidth costs due to higher traffic levels and an increase in depreciation expense of network equipment as we continue to invest in our infrastructure. These increases were offset by a reduction in cost of software licenses of approximately $900,000 as a result of a decrease in the number of software licenses executed during each of the three and nine months ended September 30, 2005. Overall, bandwidth expenses are increasing at a lower rate because we have reduced our network bandwidth costs per unit.

Cost of revenues during the three and nine months ended September 30, 2005 also included credits of approximately $326,000 and $916,000, respectively, as a result of settlements and renegotiations entered into in connection with billing disputes related to bandwidth contracts. During the three and nine months ended September 30, 2004, cost of revenues included similar credits of $99,000 and $852,000, respectively. Credits of this nature may occur in the future; however, the timing and amount of future credits, if any, will vary.

Cost of revenues was comprised of the following (in millions):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Bandwidth, co-location and storage fees	$ 9.9	$ 6.7	$ 25.4	$ 19.7
Payroll and related costs of network operations personnel, including equity compensation	0.9	0.9	2.8	2.5
Cost of software licenses	0.1	1.0	0.6	1.5
Depreciation and impairment of network equipment and amortization of internal-use software	4.4	3.1	10.8	11.3
Total cost of revenues	$ 15.3	$ 11.7	$ 39.6	$ 35.0

We have long-term purchase commitments for bandwidth usage and co-location with various network and Internet service providers. For the remainder of 2005 and for the years ending December 31, 2006 and 2007, the minimum commitments related to bandwidth usage and co-location services are approximately $4.2 million, $4.1 million and $233,000, respectively.

We expect that cost of revenues will increase in the fourth quarter of 2005. We expect to deliver more traffic on our network in the fourth quarter of 2005, which would result in higher expenses associated with the increased traffic; however, such costs are likely to be mitigated by lower bandwidth costs per unit. We expect increases in depreciation expense related to our network equipment and amortization of internal-use software

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development costs, along with payroll and related costs, including equity compensation, as we continue to make investments in our network.

Research and Development. Research and development expenses consist primarily of payroll and related costs and equity-related compensation for research and development personnel who design, develop, test and enhance our services and our network. Research and development costs are expensed as incurred, except certain internal-use software development costs requiring capitalization. During the three and nine months ended September 30, 2005, we capitalized software development costs of $2.2 million and $6.4 million, respectively. These development costs consisted of external consulting and payroll and payroll-related costs for personnel involved in the development of internal-use software used to deliver our services and operate our network. During the three and nine months ended September 30, 2004, we capitalized $1.9 million and $5.4 million, respectively, of software development costs. These capitalized internal-use software costs are amortized to costs of revenues over their estimated useful lives of two years.

Research and development expenses increased 54%, or $1.7 million, to $5.0 million for the three months ended September 30, 2005 as compared to $3.2 million for the three months ended September 30, 2004. For the nine months ended September 30, 2005, research and development expenses increased 49%, or $4.3 million, to $13.1 million as compared to $8.8 million for the nine months ended September 30, 2004. The increase in research and development expenses was primarily due to an increase in payroll and related costs due to an increase in headcount. The following table quantifies the net increase in the various components of our research and development expenses for the periods presented (in millions):

	For the Three Months Ended September 30, 2005 as Compared to 2004		For the Nine Months Ended September 30, 2005 as Compared to 2004	
Payroll and related costs, including equity compensation	$	1.7	$	4.5
Capitalization of internal-use software development costs and other				(0.2)
Total net increase	$	1.7	$	4.3

We believe that research and development expenses will continue to increase, on a quarterly basis, during the remainder of 2005 and in 2006, as we continue to increase hiring of development personnel and make investments in our core technology and refinements to our other service offerings.

Sales and Marketing. Sales and marketing expenses consist primarily of payroll and related costs, equity-related compensation and commissions for personnel engaged in marketing, sales and service support functions, as well as advertising and promotional expenses.

Sales and marketing expenses increased 53%, or $6.8 million, to $19.8 million for the three months ended September 30, 2005 as compared to $13.0 million for the three months ended September 30, 2004. For the nine months ended September 30, 2005, sales and marketing expenses increased 35%, or $14.3 million, to $54.9 million as compared to $40.6 million for the nine months ended September 30, 2004. The increase in sales and marketing expenses was primarily due to higher payroll and related costs, particularly commissions, for sales and marketing personnel due to revenue growth. Additionally, during the nine months ended September 30, 2005, marketing and related costs increased due to higher advertising and promotional costs as

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compared to same period in 2004. The following table quantifies the net increase in the various components of our sales and marketing expenses for the periods presented (in millions):

	For the Three Months Ended September 30, 2005 as Compared to 2004	For the Nine Months Ended September 30, 2005 as Compared to 2004
Payroll and related costs, including equity compensation	$ 5.2	$ 10.6
Marketing and related costs	0.6	1.9
Other expenses	1.0	1.8
Total increase	$ 6.8	$ 14.3

We believe that sales and marketing expenses will continue to increase, on a quarterly basis, in the fourth quarter of 2005 and in 2006 due to an expected increase in commissions on higher forecasted sales, the expected increase in hiring of sales personnel and additional expected increases in other marketing costs such as advertising.

General and Administrative. General and administrative expenses consist primarily of the following components:

depreciation of property and equipment we use internally;

payroll and related costs, including equity-related compensation and related expenses for executive, finance, business applications, network management, human resources and other administrative personnel;

fees for professional services;

non-income related taxes;

the provision for doubtful accounts; and

rent and other facility-related expenditures for leased properties.

General and administrative expenses increased 23%, or $2.7 million, to $14.6 million for the three months ended September 30, 2005 as compared to $11.9 million for the three months ended September 30, 2004. For the nine months ended September 30, 2005, general and administrative expenses increased 12%, or $4.2 million, to $37.7 million as compared to $33.6 million for the nine months ended September 30, 2004. The increase in general and administrative expenses was primarily due to an increase in payroll and related costs as a result of headcount growth, as well as an increase in the provision for doubtful accounts. This increase was offset by a reduction in expense related to legal and consulting costs, which is included in consulting and advisory services, associated with the dismissal of the lawsuits between Akamai and Speedera as a result of our acquisition of Speedera. The following table quantifies the increase in general and administrative expenses for the periods presented (in millions):

	For the Three Months Ended	For the Nine Months Ended

	September 30, 2005 as Compared to 2004	September 30, 2005 as Compared to 2004
Payroll and related costs, including equity compensation	$ 2.7	$ 5.5
Depreciation and amortization	(0.1)	(1.0)
Consulting and advisory services	(1.0)	(1.1)
Provision for doubtful accounts	0.7	1.4
Other expenses	0.4	(0.6)
Total net increase	$ 2.7	$ 4.2

During the three and nine months ended September 30, 2005, we capitalized software development costs of approximately $322,000 and $525,000, respectively, consisting of external consulting costs and payroll and

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payroll-related costs related to personnel involved in the development of internally-used software applications. During the three and nine months ended September 30, 2004, we capitalized $60,000 and $237,000, respectively.

We expect general and administrative expenses to increase slightly on a quarterly basis for the fourth quarter of 2005.

Amortization of Other Intangible Assets. Amortization of other intangible assets consists of amortization of assets acquired in business combinations and amortization of acquired license rights. Amortization of other intangible assets increased to $2.3 million for the three months ended September 30, 2005 as compared to $12,000 for the three months ended September 30, 2004. For the nine months ended September 30, 2005, amortization of other intangible assets increased to $2.8 million as compared to $36,000 for the nine months ended September 30, 2004. The increase in amortization of other intangible assets during the three and nine months ended September 30, 2005 was due to the amortization of intangible assets from the acquisition of Speedera in June 2005. We expect to amortize approximately $2.3 million for the fourth quarter of 2005 and $8.4 million, $7.4 million, $6.1 million, $4.8 million and $4.1 million for fiscal years 2006, 2007, 2008, 2009 and 2010, respectively.

Interest Income. Interest income consists of interest earned on invested cash balances and marketable securities. Interest income increased 61%, or $309,000, to $816,000 for the three months ended September 30, 2005 as compared to $507,000 for the three months ended September 30, 2004. For the nine months ended September 30, 2005, interest income increased 43%, or $663,000, to $2.2 million as compared to $1.6 million for the nine months ended September 30, 2004. The increase was a result of an increase in our invested cash and marketable securities balance levels period over period, as well as increase in interest rates earned on our investments.

Interest Expense. Interest expense includes interest paid on our debt obligations as well as amortization of deferred financing costs. Interest expense decreased 32%, or $657,000, to $1.4 million for the three months ended September 30, 2005 as compared to $2.0 million for the three months ended September 30, 2004. For the nine months ended September 30, 2005, interest expense decreased 45%, or $3.7 million, to $4.6 million as compared to $8.3 million for the nine months ended September 30, 2004. The decrease was due to a reduction of our debt obligation as a result of our redemption of the $56.6 million remaining outstanding principal amount of our $5^1/2$% convertible subordinated notes in the third quarter of 2005 and at various times throughout 2004. We believe that interest expense on our debt obligations, including deferred financing amortization and capital lease interest expense, will not exceed $5.5 million in the aggregate for 2005.

Loss on Early Extinguishment of Debt. During the three and nine months ended September 30, 2005, we recorded a loss on early extinguishment of debt of $1.4 million as a result of our redemption of our remaining $5^1/2$% convertible subordinated notes. This loss of $1.4 million consists of a reduction of $480,000 of deferred financing costs associated with repurchases of notes prior to their maturity and $890,000 in premiums above par value paid to repurchase such notes. During the three and nine months ended September 30, 2004, we recorded a loss on early extinguishment of debt of $634,000 and $5.9 million, respectively, as a result of costs incurred in connection with our repurchase of our $5^1/2$% convertible subordinated notes during these periods. The loss of $5.9 million consists of the reduction of $2.1 million of deferred financing costs associated with repurchases of notes prior to their maturity, $1.5 million in advisory services costs incurred related to the repurchases and $2.3 million in premiums above par value paid to repurchase such notes.

Other (Expense) Income, net. Other net expense represents net foreign exchange losses incurred during the periods presented, as well as gains on legal settlements. Other net expense increased 162%, or $164,000, to $63,000 for the three months ended September 30, 2005 as compared to other net income of $101,000 for the three months ended September 30, 2004. Other net expense increased 484%, or $590,000, to $712,000 for the nine months ended September 30, 2005 as compared to other net expense of $122,000 for the nine months ended September 30, 2004. These changes in other net expense for the three and nine months ended September 30, 2005, as compared to the same periods in 2004, were due to exchange rate fluctuations. Additionally, during the nine months ended September 30, 2005, other net expense includes approximately

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$518,000 of gains on legal settlements. Other (expense) income, net may fluctuate in the future based upon movements in foreign exchange rates.

Loss on Investments, net. During the three and nine months ended September 30, 2005, we recorded a net loss on investments of $27,000 on the sale of marketable securities. During the three and nine months ended September 30, 2004, we recorded a net loss on investments of $79,000 and $68,000, respectively, on the sale of marketable securities. We do not expect significant gains or losses on investments for the remainder of 2005.

(Benefit) Provision for Income Taxes. During the three and nine months ended September 30, 2005, we recorded a discrete income tax benefit of $255.3 million. The following table summarizes the components that comprise the benefit for income taxes included in our statements of operations for the periods indicated (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	**2004**	**2005**	**2004**
Interim period provision for income taxes	$ (144)	$ 71	$ 958	$ 585
Release of valuation allowance	(255,345)		(255,345)	
(Benefit) provision for income taxes	$ (255,489)	$ 71	$ (254,387)	$ 585

As of June 30, 2005, our U.S. and foreign net operating losses, or NOLs, and other deferred tax assets were fully offset by a valuation allowance primarily because at the time, pursuant to Statement of Financial Accounting Standard, or SFAS, No. 109, Accounting for Income Taxes, we did not have sufficient history of taxable income to conclude that it was more likely than not that we would be able to realize the tax benefits of those deferred tax assets. Based upon our cumulative operating results through September 30, 2005 and an assessment of our expected future results of operations, during the third quarter of 2005, we determined that it has become more likely than not that we would be able to realize a substantial portion of our U.S. and foreign NOL carryforward tax assets prior to their expiration and other deferred tax assets. As a result, at September 30, 2005, we released a total of $321.8 million of our U.S. and foreign deferred tax asset valuation allowance. Of the $321.8 million, $255.3 million of the valuation release was recorded as a discrete benefit for income taxes in our statement of operations, and $61.0 million of the valuation release was attributable to stock option exercises, which was recorded as an increase in additional paid-in capital on the balance sheet at September 30, 2005. Approximately $2.7 million of the valuation release was recorded as a reduction to acquired goodwill and intangibles. The valuation allowance that related to certain state NOL carryovers with a five year carryover period was not released due to uncertainty about our ability to apply such NOLs.

During the three and nine months ended September 30, 2005, we recorded a benefit of $144,000 and a provision of $958,000, respectively, for the interim period provision for income taxes. During the three and nine months ended September 30, 2004, we recorded a provision for income taxes of $71,000 and $585,000, respectively. The benefit of $144,000 recorded during the three months ended September 30, 2005 was a result of a reduction in our annualized effective tax rate. The provision for income taxes for the 2005 and 2004 interim periods was primarily related to income earned in foreign jurisdictions where we were profitable and our alternative minimum tax payment obligations.

As of September 30, 2005, we had a remaining valuation allowance of approximately $35.6 million. Of the remaining valuation allowance as of September 30, 2005, $6.9 million relates to certain state NOLs that we expect will expire without being utilized. It is expected that the remaining $28.7 million of the valuation allowance will be released during the fourth quarter of 2005 as a result of the requirement under SFAS No. 109 that we use an annualized effective tax rate for each interim period during the year including current year interim periods after a valuation allowance release has occurred.

As of September 30, 2005, we had United States federal and state NOL carryforwards of approximately $1.1 billion and research and development tax credit carryforward tax assets of $10.6 million, which will expire at various dates through 2024. As of September 30, 2005, we have foreign NOL carryforwards of $9.6 million.

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While we expect our effective tax rate for the fourth quarter of 2005 to remain relatively consistent with our annualized effective tax rate used for calculating our provision for income taxes for our 2005 interim periods before considering the deferred tax valuation allowance release discussed above, our annualized effective tax rate in future periods after 2005 is expected to significantly increase. We currently expect that our consolidated annualized effective tax rate in 2005 will be approximately 40%.

Because of the availability of NOLs referred to above, a significant portion of our future provision for income taxes is expected to be a non-cash expense; consequently, the amount of cash paid in respect of income taxes is expected to be a relatively small portion of the total annualized tax expense during periods in which the NOL is utilized. In determining our net deferred tax assets and valuation allowances, and projections of our future provision for income taxes, annualized effective tax rates, and cash paid for income taxes, management is required to make judgments and estimates about domestic and foreign profitability, the timing and extent of the utilization of NOL carryforwards, applicable tax rates, transfer pricing methodologies and tax planning strategies. Judgments and estimates related to our projections and assumptions are inherently uncertain; therefore, actual results could differ materially from our projections.

Liquidity and Capital Resources

To date, we have financed our operations primarily through the following transactions:

- private sales of capital stock;
- the issuance in April 1999 of senior subordinated notes, which we repaid in 1999, that generated approximately $124.6 million in net proceeds;
- an initial public offering of our common stock in October 1999 that generated approximately $217.6 million in proceeds after underwriters discounts and commissions;
- the sale in June 2000 of an aggregate of $300 million in principal amount of our $5^1/2$% convertible subordinated notes, which were redeemed in full between December 2003 and September 2005, which generated net proceeds of $290.2 million;
- the sale in December 2003 and January 2004 of an aggregate of $200 million in principal amount of our 1% convertible senior notes, which generated net proceeds of $194.1 million;
- the public offering of 12.0 million shares of our common stock in November 2005 that generated approximately $202.0 million in proceeds after underwriters discounts and commissions; and
- cash generated by operations.

As of September 30, 2005, cash, cash equivalents and marketable securities totaled $86.5 million, of which $4.5 million is subject to restrictions limiting our ability to withdraw or otherwise use such cash, cash equivalents and marketable securities. See Letters of Credit below.

Net cash provided by operating activities was $55.1 million for the nine months ended September 30, 2005 compared to $35.7 million for the nine months ended September 30, 2004. The increase in cash provided by operating activities was primarily due to increased service revenue during the nine months ended September 30, 2005 as a result of increased customers under recurring revenue contracts and increased traffic on our network, as well as an increase in deferred revenue. We expect that cash provided by operating activities will continue to remain positive as a result of an upward trend in cash collections related to higher revenues, partially offset by an expected increase in operating expenses that require cash outlays due to, among other things, expected increases in headcount. The timing and amount of future working capital changes and our ability to manage our days sales outstanding will, however, affect the future amount of cash used in or provided by operating activities.

Cash used in investing activities was $5.8 million for the nine months ended September 30, 2005 compared to cash provided by investing activities of $16.0 million for the nine months ended September 30, 2004. Cash used in investing activities for the nine months ended September 30, 2005 reflects net sale and maturity of marketable securities of investments of $20.3 million and $1.7 million of cash acquired through the

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Speedera acquisition, offset by capital expenditures of $28.1 million, consisting of the capitalization of the purchase of network infrastructure equipment and internal-use software development costs related to our current and future service offerings. Cash provided by investing activities for the nine months ended September 30, 2004 primarily reflected the net sale and maturity of marketable securities of $23.9 million, offset by capital expenditures of $13.0 million. For the nine months ended September 30, 2004, cash provided by investing activities also included a decrease of $5.0 million in restricted cash to reflect our repurchase of $5.0 million in principal amount of our $5^1/2$% convertible subordinated notes in early 2004. We expect that total capital expenditures, a component of cash used in investing activities, will be between approximately 12% and 13% of revenues in the fourth quarter of 2005.

Cash used in financing activities was $49.3 million for the nine months ended September 30, 2005, as compared to cash used in financing activities of $110.7 million for the nine months ended September 30, 2004. Cash used in financing activities during the nine months ended September 30, 2005 reflects repurchases of $56.6 million in principal amount of our outstanding $5^1/2$% convertible subordinated notes and payments on capital lease obligations of $398,000, offset by $7.7 million in proceeds received from the issuance of common stock to employees upon exercise of stock options. Cash used in financing activities for the nine months ended September 30, 2004 reflects proceeds received from the issuance of our 1% convertible senior notes, net of financings costs, of $24.3 million and proceeds from issuances of common stock to employees upon exercise of stock options of $9.9 million. Such proceeds were offset by payments made to repurchase $144.5 million in principal amount of our $5^1/2$% convertible subordinated notes and payments on our capital lease obligations of $402,000.

Changes in cash, cash equivalents and marketable securities are dependent upon changes in working capital items such as deferred revenues, accounts payable, accounts receivable and various accrued expenses, as well as changes in our capital and financial structure due to debt repurchases and issuances, stock option exercises, sales of equity instruments and similar events.

The following table represents the net inflows and outflows of cash, cash equivalents and marketable securities for the periods presented (in millions):

	For the Nine Months Ended September 30, 2005	For the Nine Months Ended September 30, 2004
Cash, cash equivalents and marketable securities balance as of December 31, 2004 and 2003, respectively	$ 108.4	$ 208.4
Changes in cash, cash equivalents and marketable securities:		
Receipts from customers	193.4	147.7
Payments to vendors	(100.7)	(62.8)
Payments for employee payroll	(66.0)	(50.1)
Debt repurchases	(58.1)	(144.5)
Debt proceeds		24.3
Debt interest and premium payments	(4.1)	(16.0)
Stock option exercises	7.7	9.9
Cash acquired in business acquisition	3.9	
Other	2.0	2.9
Net decrease	(21.9)	(88.6)
	$ 86.5	$ 119.8

Cash, cash equivalents and marketable securities balance as of September 30, 2005 and 2004, respectively

We believe, based on our present business plan, that our current cash, cash equivalents and marketable securities of $86.5 million as of September 30, 2005, the approximately $202.0 million raised in November 2005 and forecasted cash flows from operations will be sufficient to meet our cash needs for working capital and capital expenditures for at least the next 24 months. If the assumptions underlying our business plan

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regarding future revenue and expenses change or if unexpected opportunities or needs arise, we may seek to raise additional cash by selling equity or debt securities. If additional funds are raised through the issuance of equity or debt securities, these securities could have rights, preferences and privileges senior to those accruing to holders of common stock, and the terms of such debt could impose restrictions on our operations. The sale of additional equity or convertible debt securities could result in additional dilution to our existing stockholders. See Factors Affecting Future Operating Results.

Contractual Obligations and Commercial Commitments

The following table presents our contractual obligations and commercial commitments, as of September 30, 2005 over the next five years and thereafter (in millions):

Contractual Obligations as of September 30, 2005	Payments Due by Period: Total	Less than 12 Months	12-36 Months	36-60 Months	More than 60 Months
1% convertible senior notes	$ 200.0	$	$	$	$ 200.0
Interest on convertible notes outstanding	56.0	2.0	4.0	4.0	46.0
Bandwidth and co-location agreements	8.5	8.1	0.4		
Real estate operating leases	19.8	6.8	10.5	2.5	
Capital leases	0.4	0.4			
Vendor equipment purchase obligations	0.5	0.5			
Open vendor purchase orders	4.8	4.8			
Total	$ 290.0	$ 22.6	$ 14.9	$ 6.5	$ 246.0

Letters of Credit

As of September 30, 2005, we had outstanding $4.5 million in irrevocable letters of credit in favor of third-party beneficiaries, primarily related to facility leases. The letters of credit are collateralized by restricted marketable securities, of which $3.7 million are classified as long-term marketable securities and $730,000 are classified as short-term marketable securities on the condensed consolidated balance sheet dated as of September 30, 2005. The restrictions on these marketable securities lapse as we fulfill our obligations or as such obligations expire as provided by the letters of credit. These restrictions are expected to lapse through May 2009.

Off-Balance Sheet Arrangements

We have entered into indemnification agreements with third parties, including vendors, customers, landlords, our officers and directors, shareholders of acquired companies, joint venture partners and third parties to whom we license technology. Generally, these indemnification agreements require us to reimburse losses suffered by the third party due to various events, such as lawsuits arising from patent or copyright infringement or our negligence. These indemnification obligations are considered off-balance sheet arrangements in accordance with Financial Accounting Standards Board, or FASB, Interpretation 45, or FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. See Guarantees in the footnotes to our consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2004 for further discussion of these indemnification agreements. The fair value of guarantees issued or modified during the three months ended September 30, 2005 was determined to be immaterial. As of September 30, 2005, we do not have any additional off-balance sheet arrangements, except for operating leases, and have not entered into transactions with special purpose entities.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation and supersedes Accounting Principles Board, or APB, Opinion

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No. 25, Accounting for Stock Issued to Employees. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be valued at fair value on the date of grant, and to be expensed over the applicable vesting period. Pro forma disclosure of the income statement effects of share-based payments will no longer be an alternative. SFAS No. 123R is effective for the first annual period beginning after June 15, 2005. We expect to adopt this standard as of January 1, 2006 under the modified prospective transition method. Under this method, a company records compensation expense for all new awards and awards modified, repurchased, or cancelled after the required effective date. In addition, companies must also recognize compensation expense related to any awards that are not fully vested as of the effective date. Compensation expense for the unvested awards will be measured based on the fair value of the awards previously calculated in developing the pro forma disclosure in accordance with the provisions of SFAS No. 123. We are currently assessing the impact of adopting SFAS No. 123R to our consolidated results of operations but expect that the adoption will have a material impact. The estimated impact of applying SFAS No. 123R to our historical periods is illustrated on the pro forma presentation included in Note 4 of the condensed consolidated financial statements.

In March 2005, the Securities and Exchange Commission, or SEC, issued Staff Accounting Bulletin, or SAB, No. 107, Share-Based Payment. SAB No. 107 was issued to assist preparers by providing guidance regarding the application of SFAS No. 123R. SAB No. 107 describes the Staff s views on share-based payment transactions with non-employees and covers key topics including valuation models, expected volatility and expected term. We will apply the principals of SAB No. 107 in conjunction with our adoption of SFAS No. 123R during the first quarter of 2006.

In June 2005, FASB issued SFAS No. 154, Accounting Changes and Error Corrections. This statement replaces APB Opinion No. 20, Accounting Changes, and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. The statement applies to all voluntary changes in accounting for and reporting of changes in accounting principles. SFAS No. 154 requires retrospective application to prior periods financial statements of a voluntary change in accounting principles unless it is not practical to do so. APB No. 20 previously required that most voluntary changes in accounting principles be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Earlier application is permitted for accounting changes and corrections of errors made occurring in fiscal years beginning after May 31, 2005. The adoption of SFAS No. 154 will not have a material impact on our financial position or results of operations.

Factors Affecting Future Operating Results

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

We compete in markets that are new, intensely competitive, highly fragmented and rapidly changing. We have experienced and expect to continue to experience increased competition. Many of our current competitors, as well as a number of our potential competitors, have longer operating histories, greater name recognition, broader customer relationships and industry alliances and substantially greater financial, technical and marketing resources than we do. Other competitors may attract customers by offering less-sophisticated versions of services than we provide at lower prices than those we charge. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Some of our current or potential competitors may bundle their services with other services, software or hardware in a manner that may discourage website owners from purchasing any service we offer. In addition, potential customers may decide to purchase or develop their own hardware, software and other technology solutions rather than rely on an external provider like Akamai. Increased competition could result in price and revenue reductions, loss of customers and loss of market share, which could materially and adversely affect our business, financial condition and results of operations.

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If we are unable to sell our services at acceptable prices relative to our costs, the prices we charge for our services decline over time, our business and financial results are likely to suffer.

Prices we have been charging for some of our services have declined in recent years. We expect that this decline may continue in the future as a result of, among other things, existing and new competition in the markets we serve. Consequently, our historical revenue rates may not be indicative of future revenues based on comparable traffic volumes. If we are unable to sell our services at acceptable prices relative to our costs or if we are unsuccessful with our strategy of selling additional services and features to our existing EdgeSuite delivery customers, our revenues and gross margins will decrease, and our business and financial results will suffer.

Failure to increase our revenues and keep our expenses consistent with revenues could prevent us from maintaining profitability.

The year ended December 31, 2004 was the first fiscal year during which we achieved profitability as measured in accordance with accounting principles generally accepted in the United States of America. We have also achieved profitability in each of the first three quarters of 2005. We have large fixed expenses, and we expect to continue to incur significant bandwidth, sales and marketing, product development, administrative and other expenses. Therefore, we will need to generate higher revenues to maintain profitability. There are numerous factors that could, alone or in combination with other factors, impede our ability to increase revenues and/or moderate expenses, including:

failure to increase sales of our content delivery and other core services;

significant increases in bandwidth costs or other operating expenses;

inability to maintain our prices;

failure to expand the market acceptance for our services due to continuing concerns about commercial use of the Internet, including security, reliability, speed, cost, quality of service and regulatory initiatives;

any failure of our current and planned services and software to operate as expected;

loss of any significant customers;

unauthorized use or access to content delivered over our network or network failures;

failure of a significant number of customers to pay our fees on a timely basis or at all or failure to continue to purchase our services in accordance with their contractual commitments; and

inability to attract high-quality customers to purchase and implement our current and planned services and software.

If we are unable to develop new services and enhancements to existing services, or if we fail to predict and respond to emerging technological trends and customers changing needs, our operating results may suffer.

The market for our services is characterized by rapidly changing technology, evolving industry standards and new product and service introductions. Our operating results depend on our ability to develop and introduce new services into existing and emerging markets. The process of developing new technology is complex and uncertain, and if we fail to accurately predict customers changing needs and emerging technological trends, our business could be harmed. We must commit significant resources to developing new services or enhancements to our existing services before knowing whether our investments will result in services the market will accept. Furthermore, we may not execute successfully our technology initiatives because of errors in planning or timing, technical hurdles that we fail to overcome in a timely fashion, misunderstandings about market demand or a lack of appropriate resources. Failures in execution or market acceptance of new services we introduce could result in competitors providing those solutions before we do and, consequently, loss of market share, revenues and earnings.

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Any unplanned interruption in our network or services could lead to significant costs and disruptions that could reduce our revenues and harm our business, financial results and reputation.

Our business is dependent on providing our customers with fast, efficient and reliable distribution of application and content delivery services over the Internet. For our core services, we currently provide a standard guarantee that our networks will deliver Internet content 24 hours a day, seven days a week, 365 days a year. If we do not meet this standard, our customer does not pay for all or a part of its services on that day. Our network or services could be disrupted by numerous events, including natural disasters, failure or refusal of our third-party network providers to provide the necessary capacity, power losses, and intentional disruptions of our services, such as disruptions caused by software viruses or attacks by unauthorized users. Although we have taken steps to enhance our ability to prevent such disruptions, there can be no assurance that attacks by unauthorized users will not be attempted in the future, that our enhanced security measures will be effective or that a successful attack would not be damaging. Any widespread loss or interruption of our network or services would reduce our revenues and could harm our business, financial results and reputation.

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

In June 2005, we completed our acquisition of Speedera. We may seek to enter into additional business combinations or acquisitions in the future. Acquisitions are typically accompanied by a number of risks, including the difficulty of integrating the operations and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of management, expenses related to the acquisition and potential unknown liabilities associated with acquired businesses. We face all of these risks in connection with the Speedera acquisition. If we are not successful in completing acquisitions that we may pursue in the future, we may be required to reevaluate our business strategy, and we may incur substantial expenses and devote significant management time and resources without a productive result. In addition, with future acquisitions, we could use substantial portions of our available cash or, as in the Speedera merger transaction, make dilutive issuances of securities. Future acquisitions or attempted acquisitions could also have an adverse effect on our ability to remain profitable.

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

Our services are highly complex and are designed to be deployed in and across numerous large and complex networks. From time to time, we have needed to correct errors and defects in our software. In the future, there may be additional errors and defects in our software that may adversely affect our services. We may not have in place adequate quality assurance procedures to ensure that we detect errors in our software in a timely manner. If we are unable to efficiently fix errors or other problems that may be identified, or if there are unidentified errors that allow persons to improperly access our services, we could experience loss of revenues and market share, damage to our reputation, increased expenses and legal actions by our customers.

We may have insufficient transmission capacity, which could result in interruptions in our services and loss of revenues.

Our operations are dependent in part upon transmission capacity provided by third-party telecommunications network providers. We believe that we have access to adequate capacity to provide our services; however, there can be no assurance that we are adequately prepared for unexpected increases in bandwidth demands by our customers. In addition, the bandwidth we have contracted to purchase may become unavailable for a variety of reasons including payment disputes or network providers going out of business. Any failure of these network providers to provide the capacity we require, due to financial or other reasons, may result in a reduction in, or interruption of, service to our customers. If we do not have access to third-party transmission capacity, we could lose customers. If we are unable to obtain transmission capacity on terms commercially acceptable to us or at all, our business and financial results could suffer. In addition, our telecommunications and network providers typically provide rack space for our servers. Damage or destruction of, or other denial of

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access to, a facility where our servers are housed could result in a reduction in, or interruption of, service to our customers.

If the estimates we make, and the assumptions on which we rely, in preparing our financial statements prove inaccurate, our actual results may be adversely affected.

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments about, among other things, taxes, revenue recognition, capitalization of internal-use software, contingent obligations, doubtful accounts and restructuring charges. These estimates and judgments affect the reported amounts of our assets, liabilities, revenues and expenses, the amounts of charges accrued by us, such as those made in connection with our restructuring charges, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. If our estimates or the assumptions underlying them are not correct, we may need to accrue additional charges that could adversely affect our results of operations, which in turn could adversely affect our stock price.

Our substantial leverage may impair our ability to maintain and grow operations, and any failure to meet our repayment obligations would damage our business.

We have long-term debt. As of September 30, 2005, our total long-term debt was $200.0 million. Our level of indebtedness could adversely affect our future operations by increasing our vulnerability to adverse changes in general economic and industry conditions and by limiting or prohibiting our ability to obtain additional financing for future capital expenditures, acquisitions and general corporate and other purposes. In addition, if we are unable to make interest or principal payments when due, we would be in default under the terms of our notes, which would result in all principal and interest becoming due and payable which, in turn, would seriously harm our business.

If our license agreement with the Massachusetts Institute of Technology, or MIT, terminates, our business could be adversely affected.

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

We have incurred and could continue to incur substantial costs defending our intellectual property from infringement claims.

Other companies or individuals, including our competitors, may obtain patents or other proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our services or develop new services, which could make it more difficult for us to increase revenues and improve profitability. Companies providing Internet-related products and services are increasingly bringing suits alleging infringement of their proprietary rights, particularly patent rights. Any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources and require us to do one or more of the following:

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

- pay substantial damages;

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

- redesign products or services.

If we are forced to take any of these actions, our business may be seriously harmed. If we are found to infringe the proprietary rights of others. In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology, our business and operating results could be materially adversely affected.

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

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We have brought numerous lawsuits against entities that we believe are infringing our intellectual property rights. These legal protections afford only limited protection. Monitoring unauthorized use of our services is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. Although we have licensed from other parties proprietary technology covered by patents, we cannot be certain that any such patents will not be challenged, invalidated or circumvented. Furthermore, we cannot be certain that any pending or future patent applications will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent that may be issued will provide competitive advantages to us.

If we are unable to retain our key employees and hire qualified sales and technical personnel, our ability to compete could be harmed.

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

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

We have operations in several foreign countries and may continue to expand our sales and support organizations internationally. Such expansion could require us to make significant expenditures. We are increasingly subject to a number of risks associated with international business activities that may increase our costs, lengthen our sales cycle and require significant management attention. These risks include:

- lack of market acceptance of our software and services abroad;

- increased expenses associated with marketing services in foreign countries;

- general economic conditions in international markets;

- currency exchange rate fluctuations;

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

- interpretations of laws or regulations that would subject us to regulatory supervision or, in the alternative, require us to exit a country which could have a negative impact on the quality of our services or our results of operations;

- tariffs, export controls and other trade barriers;

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

- potentially adverse tax consequences.

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

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

Internet-related and other laws could adversely affect our business.

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

Provisions of our charter documents, our stockholder rights plan and Delaware law may have anti-takeover effects that could prevent a change in control even if the change in control would be beneficial to our stockholders.

Provisions of our amended and restated certificate of incorporation, amended and restated by-laws and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. In addition, our Board of Directors has adopted a shareholder rights plan the provisions of which could make it more difficult for a potential acquirer of Akamai to consummate an acquisition transaction without the approval of our Board of Directors.

A class action lawsuit has been filed against us that may be costly to defend and the outcome of which is uncertain and may harm our business.

We are named as a defendant in a purported class action lawsuit filed in 2001 alleging that the underwriters of our initial public offering received undisclosed compensation in connection with our initial public offering of common stock in violation of the Securities Act and the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Any conclusion of these matters in a manner adverse to us could have a material adverse affect on our financial position and results of operations.

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

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

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

Our exposure to market risk for changes in interest rates relates primarily to our debt and investment portfolio. We do not hold derivative financial instruments in our investment portfolio. We place our investments with high quality issuers and, by policy, limit the amount of risk by investing primarily in money

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market funds, United States Treasury obligations, high-quality corporate obligations and certificates of deposit.

Our 1% convertible senior notes are subject to changes in market value. Under certain conditions, the holders of our 1% convertible senior notes may require us to redeem the notes on or after December 15, 2010. As of September 30, 2005, the carrying amount and fair value of the 1% convertible senior notes were $200.0 million and $230.8 million, respectively.

We have operations in Europe and Asia. As a result, we are exposed to fluctuations in foreign exchange rates. Additionally, we may continue to expand our operations globally and sell to customers in foreign locations, which may increase our exposure to foreign exchange fluctuations.

Item 4. ***Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2005. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2005, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

See Item 3 of part I of our annual report on Form 10-K for the year ended December 31, 2004 and Item 1 of Part II of our quarterly report on Form 10-Q for the period ended June 30, 2005 for a discussion of legal proceedings as to which there were no material developments during the quarter ended September 30, 2005.

Item 6. *Exhibits*

The exhibits filed as part of this quarterly report on Form 10-Q are listed in the exhibit index immediately preceding the exhibits and are incorporated herein.

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SIGNATURES

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

Akamai Technologies, Inc.

By: /s/ Robert Cobuzzi

Robert Cobuzzi,
Chief Financial Officer

November 9, 2005

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EXHIBIT INDEX

Exhibit 3.1(A)	Amended and Restated Certificate of Incorporation of the Registrant
Exhibit 3.2(B)	Amended and Restated By-Laws of the Registrant
Exhibit 3.3(C)	Certificate of Designations of Series A Junior Participating Preferred Stock of the Registrant
Exhibit 4.1(B)	Specimen common stock certificate
Exhibit 4.2(E)	Indenture, dated as of December 12, 2003 by and between the Registrant and U.S. Bank National Association
Exhibit 4.3(D)	Indenture, dated as of June 20, 2000, by and between the Registrant and State Street Bank and Trust Company
Exhibit 4.4(F)	Registration Rights Agreement, dated as of December 12, 2003, by and between the Registrant and Credit Suisse First Boston LLC
Exhibit 4.5(E)	Rights Agreement, dated September 10, 2002, by and between the Registrant and Equiserve Trust Company, N.A.
Exhibit 4.6(G)	Amendment No. 1, dated as of January 29, 2004, to the Rights Agreement, dated as of September 10, 2002, between Akamai Technologies, Inc. and EquiServe Trust Company, N.A., as Rights Agent
Exhibit 10.30(H)	Employment Offer Letter Agreement dated October 14, 2005 between the Registrant and J. Donald Sherman
Exhibit 10.31(I)	Underwriting Agreement dated October 31, 2005 between the Registrant and Deutsche Bank Securities Inc.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/ Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/ Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(A) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (the Commission) on August 14, 2000.

(B) Incorporated by reference to the Registrant s Form S-1 (File No. 333-85679), as amended, filed with the Securities and Exchange Commission on August 21, 1999.

(C) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q filed with the Commission on November 14, 2002.

(D) Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on June 27, 2000.

(E) Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on September 11, 2002.

(F) Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on December 16, 2003.

(G) Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on February 2, 2004.

(H) Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on October 20, 2005.

(I) Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on November 2, 2005.