



FORM 10-Q

SAVVIS, Inc. - SVVS

Filed: November 03, 2008 (period: September 30, 2008)

Quarterly report which provides a continuing view of a company's financial position

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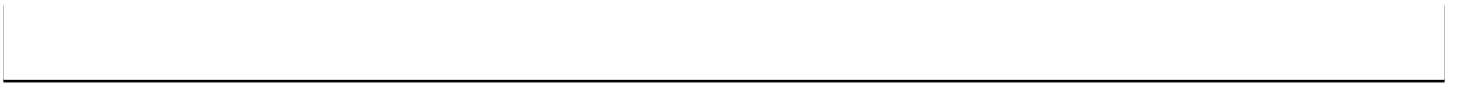
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2008

OR

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

For the Transition Period from _____ to _____

Commission File Number: 0-29375



SAVVIS, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

43-1809960
(I.R.S. Employer
Identification No.)

1 SAVVIS Parkway
Town & Country, Missouri 63017
(Address of principal executive offices) (Zip Code)

(314) 628-7000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-Accelerated Filer ☐

Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
Common stock, \$0.01 Par Value – 53,464,188 shares as of October 24, 2008

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SAVVIS, INC.
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ITEM 1. FINANCIAL STATEMENTS.

SAVVIS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 116,047	\$ 183,141
Trade accounts receivable, net of allowance of \$6,261 and \$5,060, respectively	58,473	51,925
Prepaid expenses and other current assets	26,769	19,548
Total Current Assets	<u>201,289</u>	<u>254,614</u>
Property and equipment, net	724,116	616,584
Other non-current assets	18,222	18,775
Total Assets	<u>\$ 943,627</u>	<u>\$ 889,973</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Payables and other trade accruals	\$ 50,380	\$ 57,673
Current portion of long-term debt and lease obligations	12,856	6,196
Other current accrued liabilities	71,479	101,419
Total Current Liabilities	<u>134,715</u>	<u>165,288</u>
Long-term debt, net of current portion	421,779	351,594
Capital and financing method lease obligations, net of current portion	166,789	162,054
Other accrued liabilities	66,387	59,182
Total Liabilities	<u>789,670</u>	<u>738,118</u>
Stockholders' Equity:		
Common stock; \$0.01 par value, 1,500,000 shares authorized; 53,418 and 52,977 shares issued and outstanding, respectively	534	530
Additional paid-in capital	759,541	738,950
Accumulated deficit	(596,069)	(583,901)
Accumulated other comprehensive loss	(10,049)	(3,724)
Total Stockholders' Equity	<u>153,957</u>	<u>151,855</u>
Total Liabilities and Stockholders' Equity	<u>\$ 943,627</u>	<u>\$ 889,973</u>

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

SAVVIS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenue	\$ 218,363	\$ 190,262	\$ 634,587	\$ 596,064
Operating Expenses:				
Cost of revenue (including non-cash equity-based compensation of \$173, \$1,437, \$3,274, and \$4,303, respectively)	127,050	112,348	368,573	342,778
Sales, general, and administrative expenses (including non-cash equity-based compensation of \$2,269, \$7,284, \$17,738, and \$20,362, respectively) ⁽¹⁾	46,022	51,101	154,378	156,593
Depreciation, amortization, and accretion	34,222	22,742	100,120	67,174
(Gain) loss on sales of data center and CDN assets	—	337	—	(305,707)
Total Operating Expenses	207,294	186,528	623,071	260,838
Income from Operations	11,069	3,734	11,516	335,226
Loss on debt extinguishment	—	—	—	45,127
Net interest expense and other	9,972	320	21,095	34,457
Income (Loss) before Income Taxes	1,097	3,414	(9,579)	255,642
Income tax expense (benefit)	1,659	(1,855)	2,589	2,559
Net Income (Loss)	\$ (562)	\$ 5,269	\$ (12,168)	\$ 253,083
Net Income (Loss) per Common Share				
Basic	\$ (0.01)	\$ 0.10	\$ (0.23)	\$ 4.81
Diluted	\$ (0.01)	\$ 0.10	\$ (0.23)	\$ 4.55
Weighted-Average Common Shares Outstanding ⁽²⁾				
Basic	53,383	52,899	53,338	52,603
Diluted	53,383	54,033	53,338	56,688

(1) Excludes depreciation, amortization, and accretion, which is reported separately.

(2) For the three and nine months ended September 30, 2008, the effects of including the incremental shares associated with options, unvested restricted preferred units, unvested restricted stock units, unvested restricted stock awards, and the Convertible Notes are anti-dilutive and, as such, are not included in the diluted weighted-average common shares outstanding. For the three months ended September 30, 2007, the effects of including the incremental shares associated with the Convertible Notes are anti-dilutive and, as such, are not included in the diluted weighted-average common shares outstanding. For the nine months ended September 30, 2007, diluted weighted-average common shares outstanding included 2.6 million common shares which reflected the dilution impact of the Convertible Notes using the “if-converted” method.

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

SAVVIS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2008	2007
Cash Flows from Operating Activities:		
Net income (loss)	\$ (12,168)	\$ 253,083
Reconciliation of net income (loss) to net cash provided by operating activities:		
Depreciation, amortization, and accretion	100,120	67,174
Non-cash equity-based compensation	21,012	24,665
Accrued interest	5,615	35,547
Gain on sales of data center and CDN assets	—	(305,707)
Loss on debt extinguishment	—	45,127
Other	203	(934)
Net changes in operating assets and liabilities, net of effects from sales of assets:		
Trade accounts receivable, net	(6,828)	(1,062)
Prepaid expenses and other current and non-current assets	(8,084)	(5,647)
Payables and other trade accruals	4,832	(898)
Other accrued liabilities	(4,022)	(21,107)
Net cash provided by operating activities	<u>100,680</u>	<u>90,241</u>
Cash Flows from Investing Activities:		
Payments for capital expenditures	(209,277)	(248,249)
Proceeds from sales of data center and CDN assets, net	—	318,530
Other investing activities, net	—	694
Net cash provided by (used in) investing activities	<u>(209,277)</u>	<u>70,975</u>
Cash Flows from Financing Activities:		
Proceeds from long-term debt	56,447	345,000
Proceeds from stock option exercises	907	15,077
Payments for extinguishment of Series A Subordinated Notes	—	(342,491)
Payments for debt issuance costs	(1,135)	(8,866)
Payments for employee taxes on equity-based instruments	(2,283)	(10,160)
Principal payments under capital lease obligations	(4,152)	(2,031)
Other financing activities, net	(3,481)	(154)
Net cash provided by (used in) financing activities	<u>46,303</u>	<u>(3,625)</u>
Effect of exchange rate changes on cash and cash equivalents	(4,800)	656
Net increase (decrease) in cash and cash equivalents	<u>(67,094)</u>	<u>158,247</u>
Cash and cash equivalents, beginning of period	<u>183,141</u>	<u>98,693</u>
Cash and cash equivalents, end of period	<u>\$ 116,047</u>	<u>\$ 256,940</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 21,104	\$ 10,150
Cash paid for income taxes	\$ 1,439	\$ 3,771
Non-cash Investing and Financing Activities:		
Assets acquired and obligations incurred under capital leases	<u>\$ 10,235</u>	<u>\$ 30,513</u>
Assets acquired and obligations incurred under financing agreements	<u>\$ 24,160</u>	<u>\$ 5,489</u>

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

SAVVIS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Number of Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2007	52,977	\$ 530	\$ 738,950	\$ (583,901)	\$ (3,724)	\$ 151,855
Net loss	—	—	—	(12,168)	—	(12,168)
Foreign currency translation adjustments	—	—	—	—	(6,325)	(6,325)
Issuance of common stock upon exercise of stock options	68	1	906	—	—	907
Issuance of restricted stock	36	—	—	—	—	—
Issuance of common stock for Employee Stock Purchase Plan	69	1	1,124	—	—	1,125
Issuance of common stock upon vesting of stock awards	268	2	(3)	—	—	(1)
Payments for employee taxes on equity-based instruments	—	—	(2,283)	—	—	(2,283)
Recognition of deferred compensation costs	—	—	20,847	—	—	20,847
Balance at September 30, 2008	<u>53,418</u>	<u>\$ 534</u>	<u>\$ 759,541</u>	<u>\$ (596,069)</u>	<u>\$ (10,049)</u>	<u>\$ 153,957</u>

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

SAVVIS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(tabular dollars in thousands, except per share data)

NOTE 1—DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

SAVVIS, Inc. (the Company) provides information technology (IT) services including managed hosting, utility computing, colocation, managed security, network, and professional services through its global infrastructure to businesses and government agencies around the world.

These unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, under the rules and regulations of the U.S. Securities and Exchange Commission (the SEC), and on a basis substantially consistent with the audited consolidated financial statements of the Company as of and for the year ended December 31, 2007. Such audited financial statements are included in the Company's Annual Report on Form 10-K (the Annual Report) filed with the SEC. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes included in its Annual Report.

These unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation and, in the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. In addition, certain amounts from prior years have been reclassified to conform to the current year presentation.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company classifies cash on hand and deposits in banks, including commercial paper, money market accounts, and other investments it may hold from time to time, with an original maturity of three months or less, as cash and cash equivalents. As of September 30, 2008, substantially all of the Company's \$116.0 million of cash and cash equivalents was held in money market accounts, which are classified as Level 1 under the guidance of Statement of Financial Accounting Standards (SFAS) 157, "Fair Value Measurements."

Concentrations of Credit Risk

The Company invests excess cash with high credit, quality financial institutions, which bear minimal risk and, by policy, limit the amount of credit exposure to any one financial institution. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. The Company periodically reviews the credit quality of its customers and generally does not require collateral.

Trade Accounts Receivable

The Company classifies as trade accounts receivable amounts due within twelve months, arising from the provision of services in the normal course of business.

Allowance for Credits and Uncollectibles

The Company has service level commitments with certain of its customers. To the extent that such service levels are not achieved, the Company estimates the amount of credits to be issued, based on historical credits issued and known disputes, and records a reduction to revenue, with a corresponding increase in the allowance for credits and uncollectibles.

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The Company assesses collectibility of accounts receivable based on a number of factors, including customer payment history and creditworthiness. The Company generally does not request collateral from its customers although in certain cases it may obtain a security deposit. The Company maintains an allowance for uncollectibles when evaluating the adequacy of allowances, and specifically analyzes accounts receivable, current economic conditions and trends, historical bad debt write-offs, customer concentrations, customer payment history and creditworthiness, and changes in customer payment terms. Delinquent account balances are charged to expense after management has determined that the likelihood of collection is not probable.

Depreciation, Amortization, and Accretion

Depreciation and amortization expense consists primarily of depreciation of property and equipment and assets held under capital lease, as well as amortization of intangible assets and leasehold improvements. Property, plant, and equipment are recorded at cost and depreciation and amortization are calculated using the straight-line method over the useful lives of the related assets. Software, equipment, and leasehold improvements have useful lives that range between three and fifteen years and leased assets are depreciated over the shorter of their useful lives or lease terms. Accretion expense results from aging of the discounted present value of various liabilities, including asset retirement obligations.

Revenue Recognition

The Company derives the majority of its revenue from recurring revenue streams, consisting primarily of hosting services, which includes managed hosting and colocation, and network services. The Company recognizes revenue for these services as they are provided. Installation fees, although generally billed upon installation, are deferred and recognized ratably over the life of the customer contract. Revenue is recognized when the related service has been provided, there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection is reasonably assured.

In addition, the Company has service level commitments pursuant to individual customer contracts with certain of its customers. To the extent that such service levels are not achieved or are otherwise disputed due to performance or service issues, unfavorable weather, or other service interruptions or conditions, the Company estimates the amount of credits to be issued and records a reduction to revenue, with a corresponding increase in the allowance for credits and uncollectibles. In the event that the Company provides credits or payments to customers related to service level claims, the Company may recover such costs through third party insurance agreements. Insurance proceeds received under these agreements are recorded as an offset to previously recorded revenue reductions.

Cost of Revenue

Operational expenses include rental costs, power costs, circuit costs, and maintenance and operations costs for indefeasible rights of use, as well as salaries and related benefits for engineering, service delivery and provisioning, customer service, and operations personnel. Invoices from communications service providers may exceed amounts the Company believes it owes. The Company's practice is to identify such variances and engage in discussions with the vendors to resolve disputes. Accruals are maintained for the best estimate of the amount that may ultimately be paid.

Equity-Based Compensation

The Company recognizes equity-based compensation in accordance with SFAS 123(R), "Share-Based Payment." The fair value of total equity-based compensation for stock options and restricted preferred units is calculated using the Black-Scholes option pricing model which utilizes certain assumptions and estimates that have a material impact on the amount of total compensation cost recognized in the Company's consolidated financial statements. For stock options, an additional assumption is made on the number of awards expected to vest, which decreases the amount of total expense recognized. Total equity-based compensation costs for restricted stock units and restricted stock awards are calculated based on the market value of the Company's common stock on the date of grant. Total equity-based compensation costs are amortized to non-cash equity-based compensation expense over the vesting or performance period of the award, as applicable, which typically ranges from three to four years.

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Income Taxes

Income taxes are accounted for using the asset and liability method, which provides for the establishment of deferred tax assets and liabilities for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax purposes, applying the enacted statutory tax rates in effect for the years in which differences are expected to reverse. Valuation allowances are established when it is more likely than not that recorded deferred tax assets will not be realized. The Company has provided a full valuation allowance on deferred tax assets arising primarily from tax loss carryforwards and other potential tax benefits according to SFAS 109, "Accounting for Income Taxes," because the future realization of such benefit is uncertain. As a result, to the extent that those benefits are realized in future periods, they will favorably affect net income or loss.

Net Income (Loss) per Common Share

The Company presents net income (loss) per common share information in accordance with SFAS 128, "Earnings per Share." Under the provisions of SFAS 128, basic net income (loss) per common share is computed using the weighted-average number of common shares outstanding during the period, excluding unvested restricted stock awards subject to cancellation. Diluted net income (loss) per common share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares represent the incremental common shares issuable for stock option and restricted preferred unit exercises, unvested restricted stock units and restricted stock awards that are subject to repurchase or cancellation, and conversion of debt securities. The dilutive effect of outstanding stock options, restricted preferred units, restricted stock units, and restricted stock awards is reflected in diluted net income (loss) per share by application of the treasury stock method while the dilutive effect from convertible securities is by application of the if-converted method.

The following tables set forth the computation of basic and diluted net income (loss) per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income (loss)	\$ (562)	\$ 5,269	\$ (12,168)	\$ 253,083
Add back: Interest expense on convertible notes, net of tax effect	—	—	—	4,652
Net income (loss) for diluted per share calculation	\$ (562)	\$ 5,269	\$ (12,168)	\$ 257,735
Weighted-average shares outstanding – basic	53,383	52,899	53,338	52,603
Effect of dilutive securities:				
Shares reserved for convertible notes	—	—	—	2,604
Stock options	—	453	—	651
Restricted preferred units, restricted stock units, and restricted stock awards ⁽²⁾	—	681	—	830
Weighted-average shares outstanding – diluted ⁽³⁾	53,383	54,033	53,338	56,688
Net income (loss) per common share:				
Basic	\$ (0.01)	\$ 0.10	\$ (0.23)	\$ 4.81
Diluted	\$ (0.01)	\$ 0.10	\$ (0.23)	\$ 4.55

- (1) For the three and nine months ended September 30, 2008, the effects of including the incremental shares associated with the Convertible Notes and the assumed conversion of dilutive equity instruments into common stock was anti-dilutive and, therefore, excluded from the calculation of diluted net loss per common share.
- (2) As of September 30, 2008, the Company had outstanding 5.6 million stock options, 0.5 million restricted preferred units, and 0.3 shares of restricted stock units and restricted stock awards.
- (3) Weighted-average shares outstanding – dilutive for the nine months ended September 30, 2007 includes 2.6 million common shares, which reflects the dilution impact of the Convertible Notes using the "if-converted" method.

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Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates and assumptions. Estimates used in the Company's consolidated financial statements include, among others, the allowance for credits and uncollectibles and assumptions used to value equity-based compensation awards.

Recently Issued Accounting Standards

In December 2007, the FASB issued SFAS 141(R), "Business Combinations." SFAS 141(R) amends SFAS 141 and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in an acquiree. It also provides disclosure requirements to enable users of financial statements to evaluate the nature and financial effects of a business combination. It is effective for fiscal years beginning on or after December 15, 2008 and will be applied prospectively to any future acquisitions. The Company does not believe the adoption of SFAS 141(R) will have a material effect on its consolidated financial position, results of operations, or cash flows.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. This includes qualitative disclosures about objectives for using derivatives by primary risk exposure and by purpose or strategy; information about the volume of the derivative activity; tabular disclosure of the financial statement location and amounts of the gains and losses related to the derivatives; and disclosures about credit-risk related contingent features in derivative agreements. It is effective for fiscal years beginning on or after November 15, 2008, with early adoption encouraged. The Company does not believe the adoption of SFAS 161 will have a material effect on its consolidated financial position, results of operations, or cash flows.

In May 2008, the FASB issued Staff Position (FSP) APB 14-a, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)." This FSP changes the accounting for the Company's Convertible Notes. Under the new rules, for convertible debt instruments that may be settled entirely or partially in cash upon conversion, an entity should separately account for the liability and equity components of the instruments to reflect the issuer's economic interest cost. This will require the reclassification of approximately \$65 million from long-term debt to additional paid-in capital, which will be treated as original issue discount of the Convertible Notes. Higher interest expense will result by recognizing the accretion of the discounted carrying value of the Convertible Notes to their face amount as interest expense over the term of the Convertible Notes. The FSP is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years, and requires retrospective application to all periods presented. While the FSP does not change the economic substance or cash flow requirements of the Convertible Notes, the Company's interest expense will increase by approximately \$13 million per year.

NOTE 3—SALES OF ASSETS

Content Delivery Network Assets

In January 2007, the Company completed the sale of substantially all of the assets related to its content delivery network services (the CDN Assets) for \$132.5 million, after certain working capital adjustments and the assumption of certain liabilities, pursuant to a purchase agreement dated December 23, 2006 (the CDN Purchase Agreement). The transaction resulted in net proceeds of \$128.3 million, after transaction fees, related costs, and working capital adjustments and the Company recorded a gain on sale of \$125.2 million for the nine months ended September 30, 2007, all of which was recorded in the first six months of 2007.

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The CDN Purchase Agreement contains representations, warranties and covenants of the Company, including certain tax and intellectual property representations and warranties. In connection therewith, the Company agreed to indemnify the buyer for a period of up to six years for breaches of certain intellectual property representations, warranties, and covenants up to, but not to exceed, the amount of the purchase price, net of working capital adjustments, or \$132.5 million. The Company believes the potential for performance under the indemnification is unlikely and, therefore, has not recorded any related liabilities in its accompanying consolidated balance sheet as of, or at any time prior to, September 30, 2008.

Data Center Assets

In June 2007, the Company sold assets related to two of its data centers located in Santa Clara, California for \$190.2 million in cash, before fees, the assumption and forgiveness of certain liabilities, and the assignment of an operating lease associated with the facilities. In connection with the sale, the Company recorded a gain on sale of \$180.5 million for the year ended December 31, 2007. The Company recorded revenue of \$16.5 million related to these data centers for the nine months ended September 30, 2007, all of which was recorded in the first six months of 2007.

NOTE 4—PROPERTY AND EQUIPMENT

The following table presents property and equipment, by major category, as of September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
Communications and data center equipment	\$ 465,579	\$ 465,047
Facilities and leasehold improvements	604,763	487,365
Software	70,750	52,999
Office equipment	26,944	32,990
	<u>1,168,036</u>	<u>1,038,401</u>
Less accumulated depreciation and amortization	(443,920)	(421,817)
Property and equipment, net	<u>\$ 724,116</u>	<u>\$ 616,584</u>

During the three months ended September 30, 2008, the Company removed from its records \$71.7 million of fully depreciated fixed assets. Depreciation and amortization expense for property and equipment was \$32.8 million and \$21.0 million for the three months ended September 30, 2008 and 2007, respectively, and \$95.7 million and \$61.8 million for the nine months ended September 30, 2008 and 2007, respectively.

The following table presents property and equipment held under capital and financing method leases, by major category, which represent components of property and equipment included in the table above, as of September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
Communications and data center equipment	\$ 99,409	\$ 88,366
Facilities and leasehold improvements	95,330	95,330
	<u>194,739</u>	<u>183,696</u>
Less accumulated amortization	(102,211)	(91,888)
Property and equipment held under capital and financing method leases, net	<u>\$ 92,528</u>	<u>\$ 91,808</u>

The portion of total depreciation and amortization expense attributable to assets held under capital and financing method leases was \$3.4 million and \$1.9 million for the three months ended September 30, 2008 and 2007, respectively and \$10.0 million and \$5.7 million for the nine months ended September 30, 2008 and 2007, respectively.

[Table of Contents](#)**NOTE 5—LONG-TERM DEBT**

The following table presents long-term debt as of September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
Convertible Notes	\$ 345,000	\$ 345,000
Cisco loan facility, net of current portion of \$6,600 and \$1,768, respectively	22,445	6,594
Lombard loan facility	54,334	—
Revolving credit facility	—	—
Long-term debt	<u>\$ 421,779</u>	<u>\$ 351,594</u>

Convertible Notes

In May 2007, the Company issued \$345.0 million aggregate principal amount of 3.0% Convertible Senior Notes due May 15, 2012 (the Convertible Notes). Interest is payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2007.

The Convertible Notes are governed by an Indenture dated May 9, 2007, between the Company, as issuer, and The Bank of New York, as trustee (the Indenture). The Indenture does not contain any financial covenants or restrictions on the payment of dividends, the incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by the Company. The Convertible Notes are unsecured and are effectively subordinated to the Company's existing or future secured debts to the extent of the assets securing such debt.

Upon conversion, holders will receive, at the Company's election, cash, shares of the Company's common stock, or a combination thereof. However, the Company may at any time irrevocably elect for the remaining term of the Convertible Notes to satisfy its conversion obligation in cash up to 100% of the principal amount of the Convertible Notes converted, with any remaining amount to be satisfied, at the Company's election, in cash, shares of its common stock, or a combination thereof.

The initial conversion rate is 14.2086 shares of common stock per \$1,000 principal amount of Convertible Notes, subject to adjustment. This represents an initial conversion price of approximately \$70.38 per share of common stock. Holders of the Notes may convert their Convertible Notes prior to maturity upon the occurrence of certain circumstances. Upon conversion, due to the conversion formulas associated with the Convertible Notes, if the Company's stock is trading at levels exceeding the conversion price per share of common stock, and if the Company elects to settle the obligation in cash, additional consideration beyond the \$345.0 million of gross proceeds received would be required.

The Company has determined that the Convertible Notes contain an embedded derivative requiring bifurcation and separate accounting treatment. Such derivative had a de minimis fair value as of September 30, 2008 and as a result, the Company has not recorded any related amounts in the condensed consolidated financial statements. The Company will remeasure this embedded derivative each reporting period, as applicable, and changes in fair value will be reported in the consolidated statement of operations. The Company has concluded that the contingently issuable shares are dilutive for diluted net income (loss) per common share calculations using the "if-converted" method.

In connection with the issuance of the Convertible Notes, debt issuance costs totaling \$8.9 million were deferred and are being amortized to interest expense through the maturity date of the Convertible Notes, May 15, 2012. Debt issuance costs related to the Convertible Notes, net of accumulated amortization, were \$6.5 million as of September 30, 2008.

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Subordinated Notes

In June 2007, the Company completed the early extinguishment of its Series A Subordinated Notes by making cash payments totaling \$342.5 million to the note holders. Such payments included the original principal of \$200.0 million, paid-in-kind and make-whole interest of \$147.6 million, and an early extinguishment premium of \$3.5 million, offset by a negotiated discount to the original contractual extinguishment provisions of \$8.6 million. In connection with the extinguishment, the Company wrote-off the remaining unamortized original issue discount of \$23.8 million and the remaining unamortized issuance costs of \$0.5 million, and recorded a loss on debt extinguishment of \$45.1 million in June 2007.

Credit Facilities

Revolving Facility. The Company maintains an \$85.0 million revolving credit facility (the Revolving Facility), which includes a \$27.5 million letter of credit provision. The Revolving Facility may be used for working capital and other general corporate purposes. The Revolving Facility matures, and all outstanding borrowings and unpaid interest are due, on December 9, 2008. On or before the maturity date, the Company expects to renew the Revolving Facility with current market terms. In addition, all outstanding borrowings are subject to mandatory prepayment upon certain events, including the availability of less than \$7.0 million in borrowing capacity and qualified cash balances, as defined by the Revolving Facility agreement. The Revolving Facility is secured by substantially all of the Company's domestic properties and assets and the Company may terminate the Revolving Facility prior to maturity. As of September 30, 2008, the Company had no outstanding principal amounts under the Revolving Facility, but had outstanding letters of credit of \$24.4 million, and unused availability of \$60.6 million. Unused commitments on the Revolving Facility are subject to a 0.5% annual commitment fee.

Cisco Loan Agreement and Lease Facility. The Company maintains a loan and security agreement (the Loan Agreement) and a master lease agreement (the Lease Agreement) with Cisco Systems Capital Corporation. The Loan Agreement provides for borrowings of up to \$33.0 million, at an annual interest rate of 6.50%, to purchase network equipment. The Lease Agreement provides a lease facility (the Lease Facility) to purchase equipment with borrowings at the discretion of Cisco Systems Capital Corporation, at an annual interest rate based on two-year U.S. Treasury Notes. The effective interest rate on current outstanding borrowings ranges from 5.52% to 7.25%. The Company may utilize up to \$3.0 million of the Lease Facility for third party manufactured equipment. The obligations under the Loan Agreement are secured by a first-priority security interest in the equipment. As of September 30, 2008, the Company had \$29.0 million in borrowings outstanding under the Loan Agreement and \$17.5 million under the Lease Facility.

Lombard Loan Agreement. In June 2008, a subsidiary of the Company, SAVVIS UK Limited, entered into a loan agreement (the UK Loan Agreement) with Lombard North Central Plc (Lombard). The UK Loan Agreement provides for borrowings of up to £35.0 million to be used in connection with the construction and development of a new data center in the United Kingdom. The UK Loan Agreement allows for advances from the lender to finance certain payments due to the contractor and others during the construction period. The UK Loan Agreement has a five-year term and requires quarterly installments of interest only for the first two years and quarterly installments of principal and interest for the remainder of the term. The interest incurred through the construction period, which ended September 30, 2008, was added to the principal balance of the loan. In September 2008, the Company entered into an interest rate swap agreement (the Swap Agreement) with National Westminster Bank, Plc (NatWest) to hedge the quarterly interest payments incurred and paid to Lombard during the three year period beginning October 1, 2008 and ending September 30, 2011. Under the terms of the Swap Agreement, the Company owes quarterly interest to NatWest at a fixed LIBOR interest rate of 5.31%, and receives from NatWest payments based on the same notional amount at the three month LIBOR interest rate set quarterly at the beginning of each quarter. The Swap Agreement effectively fixes the three month LIBOR interest rate payments owed to Lombard under the terms of the UK Loan Agreement at 8.11% for three years commencing on October 1, 2008. The Company has guaranteed the obligations of SAVVIS UK under the UK Loan Agreement and the Swap Agreement and the obligations are secured by a first priority security interest in substantially all of SAVVIS UK's current data center assets and certain future assets which will be located in the new data center. The Company currently maintains a letter of credit of £7.3 million and is required to maintain a letter of credit for a minimum of two years from the construction completion date. As of September 30, 2008, outstanding borrowings under the UK Loan Agreement totaled £29.3 million, or approximately \$54.3 million, with an effective interest rate of 8.20%.

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Debt Covenants

The provisions of the Company's debt agreements contain a number of covenants including, but not limited to, maintaining certain financial conditions, restricting or limiting the Company's ability to incur more debt, pay dividends, and repurchase stock (subject to financial measures and other conditions). The ability to comply with these provisions may be affected by events beyond the Company's control. The breach of any of these covenants could result in a default under the Company's debt agreements and could trigger acceleration of repayment. As of and during the nine months ended September 30, 2008 and the year ended December 31, 2007, the Company was in compliance with all applicable covenants under the debt agreements.

Future Principal Payments

As of September 30, 2008, aggregate future principal payments of long-term debt were \$1.6 million for the remainder of the year ended December 31, 2008, \$6.6 million for the years ended December 31, 2009 and 2010, \$20.1 million for the year ended December 31, 2011, \$375.9 million for the year ended December 31, 2012, and \$26.3 million for the year ended December 31, 2013. Depending on settlement options at the Company's election, the Convertible Notes may be settled in cash, shares, or a combination thereof. The weighted-average interest rate applicable to outstanding borrowings was 3.9% and 3.1% as of September 30, 2008 and December 31, 2007, respectively.

NOTE 6—CAPITAL AND FINANCING METHOD LEASE OBLIGATIONS

The following table presents future minimum payments due under capital and financing method leases as of September 30, 2008:

Remainder of 2008	\$ 6,994
2009	27,154
2010	27,158
2011	27,720
2012	27,727
Thereafter	<u>196,309</u>
Total capital and financing method lease obligations	313,062
Less amount representing interest	(190,668)
Less current portion	<u>(6,256)</u>
Capital and financing method lease obligations, net	<u>\$ 116,138</u>

On October 1, 2008, the Company renewed the lease agreements related to two of its data centers located in Sterling, Virginia. The new lease terms meet the requirements of a capital lease under SFAS 13, "Accounting for Leases." As a result, total capital and financing method lease obligations will increase from the amounts shown in the table above by \$24.3 million.

Financing method lease obligation payments represent interest payments over the term of the lease and, as such, the table above excludes a \$50.6 million deferred gain that will be realized upon termination of the lease in accordance with accounting rules for financing method leases. During March 2008, pursuant to the terms of the existing lease agreement, an automatic extension of the lease term occurred, extending the lease termination date, and recognition of the deferred gain, to February 2022.

Table of Contents**NOTE 7—OPERATING LEASES**

The following table presents future minimum payments under operating leases as of September 30, 2008:

Remainder of 2008	\$ 16,400
2009	64,208
2010	59,884
2011	53,531
2012	47,921
Thereafter	<u>185,080</u>
Total future minimum lease payments	<u>\$427,024</u>

On October 1, 2008, the Company renewed the lease agreements related to two of its data centers located in Sterling, Virginia. These leases were previously accounted for as operating leases but since renewed meet the requirements of a capital lease under SFAS 13, "Accounting for Leases." As a result, the remaining \$55.3 million future minimum lease payments pertaining to these data center leases have been excluded from the above table.

Rental expense under operating leases was \$18.5 million and \$13.8 million for the three months ended September 30, 2008 and 2007, respectively, and \$53.0 million and \$48.8 million for the nine months ended September 30, 2008 and 2007, respectively.

NOTE 8—OTHER ACCRUED LIABILITIES

The following table presents the components of other current and non-current accrued liabilities as of September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
Current other accrued liabilities:		
Wages, employee benefits, and related taxes	\$ 14,209	\$ 26,995
Deferred revenue	22,703	18,827
Taxes payable	6,567	4,816
Other current liabilities	<u>28,000</u>	<u>50,781</u>
Total current other accrued liabilities	<u>\$ 71,479</u>	<u>\$ 101,419</u>
Non-current other accrued liabilities:		
Deferred revenue	\$ 8,929	\$ 5,044
Acquired contractual obligations in excess of fair value and other	15,971	18,382
Asset retirement obligations	26,956	23,386
Other non-current liabilities	<u>14,531</u>	<u>12,370</u>
Total non-current other accrued liabilities	<u>\$ 66,387</u>	<u>\$ 59,182</u>

Acquired contractual obligations in excess of fair value and other as of September 30, 2008 and December 31, 2007, represent amounts remaining from acquisitions related to fair market value adjustments of acquired facility leases and idle capacity on acquired long-term maintenance and power contracts that the Company did not intend to utilize.

NOTE 9—COMMITMENTS, CONTINGENCIES, AND OFF-BALANCE SHEET ARRANGEMENTS

The Company's customer contracts generally span multiple periods, which results in the Company entering into arrangements with various suppliers of communications services that require the Company to maintain minimum spending levels, some of which increase over time, to secure favorable pricing terms. The Company's remaining aggregate minimum spending levels, allocated ratably over the terms of such contracts, are \$19.1 million, \$52.0 million, \$34.7 million, \$19.4 million, \$13.6 million, and \$69.8 million during the years ended December 31, 2008, 2009, 2010, 2011, 2012, and thereafter, respectively. Should the Company not meet the minimum spending levels in any given term, decreasing termination liabilities representing a percentage of the remaining contractual amounts may become immediately due and payable. Furthermore, certain of these termination liabilities

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are potentially subject to reduction should the Company experience the loss of a major customer or suffer a loss of revenue from a general economic downturn. Before considering the effects of any potential reductions for the business downturn provisions, if the Company had terminated all of these agreements as of September 30, 2008, the maximum termination liability would have been \$208.6 million. To mitigate this exposure, when possible, the Company aligns its minimum spending commitments with customer revenue commitments for related services.

In the normal course of business, the Company is a party to certain guarantees and financial instruments with off-balance sheet risk as they are not reflected in the accompanying consolidated balance sheets, such as letters of credit, indemnifications, and operating leases, under which the majority of the Company's facilities are leased. The agreements associated with such guarantees and financial instruments mature at various dates through December 2022, and may be renewed as circumstances warrant. The Company's financial instruments are valued based on the estimated amount of exposure and the likelihood of performance being required. In management's past experience, no claims have been made against these financial instruments nor does it expect the exposure to material losses resulting therefrom to be anything other than remote. As a result, the Company determined such financial instruments do not have significant value and has not recorded any related amounts in its consolidated financial statements. As of September 30, 2008, the Company had \$24.4 million in letters of credit outstanding under the Revolving Facility, pledged as collateral to primarily support certain facility leases and utility agreements. Also, in connection with its sale of the CDN Assets, the Company agreed to indemnify the purchaser should it incur certain losses due to a breach of the Company's representations and warranties.

The Company is subject to various legal proceedings and actions arising in the normal course of its business. While the results of all such proceedings and actions cannot be predicted, management believes, based on facts known to management today, that the ultimate outcome of all such proceedings and actions will not have a material adverse effect on the Company's consolidated financial position, results of operation, or cash flows.

One such action in which the Company was the defendant was an action brought by SiteLite Holdings, Inc. (SiteLite) in the Superior Court of California, County of Orange, which alleged among other things several business torts and statutory violations related to a contractual relationship with the Company that the Company terminated in 2005. The Company agreed to settle all claims made by SiteLite for an immaterial amount, which was paid by the Company's insurance company, and the court dismissed the case with prejudice during the three months ended September 30, 2008.

The Company has employment agreements with key executive officers that contain provisions with regard to base salary, bonus, equity-based compensation, and other employee benefits. These agreements also provide for severance benefits in the event of employment termination or a change in control of the Company.

NOTE 10—COMPREHENSIVE INCOME (LOSS)

The following table presents comprehensive income (loss) for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income (loss)	\$ (562)	\$ 5,269	\$ (12,168)	\$ 253,083
Foreign currency translation adjustments	(3,004)	(1,205)	(6,325)	840
Comprehensive income (loss)	<u>\$ (3,566)</u>	<u>\$ 4,064</u>	<u>\$ (18,493)</u>	<u>\$ 253,923</u>

[Table of Contents](#)**NOTE 11—EQUITY-BASED COMPENSATION**

As of September 30, 2008, the Company has equity-based compensation plans which provide for the grant of stock options, stock appreciation rights, restricted stock, unrestricted stock, stock units, dividend equivalent rights, and cash awards. Any of these awards may be granted as incentives to reward and encourage individual contributions to the Company. As of September 30, 2008, the plans had 13.7 million shares authorized for grants of equity-based instruments, of which 6.4 million shares were associated with outstanding instruments. Stock options generally expire 10 years from the grant date and have graded vesting over four years. Restricted stock units (RSUs) granted to certain employees have included performance features and graded vesting expected over periods up to four years. Restricted preferred units (RPU) granted to certain executives have graded vesting over four years. Restricted stock awards (RSAs) granted to non-employee directors vest over periods ranging from one to three years. The Company generally issues new shares of common stock upon exercise of equity-based compensation awards. As of September 30, 2008, the Company had \$61.5 million of unrecognized compensation cost which is expected to be recognized over a weighted-average period of 2.5 years.

The following table presents information associated with the Company's equity-based compensation awards for the nine months ended September 30, 2008 (in thousands):

	Restricted Stock Units	Restricted Stock	Options and RPU
Outstanding at beginning of period	592	22	5,755
Granted	—	36	1,854
Delivered/Exercised	(295)	(11)	(394)
Forfeited	(50)	—	(1,097)
Outstanding at end of period	<u>247</u>	<u>47</u>	<u>6,118</u>

In the first nine months of 2008 and 2007, certain RSUs and RPUs became vested and were delivered to employees. Under the terms of the award agreements, the Company withheld 0.1 million and 0.2 million shares, respectively, of common stock upon vesting to satisfy employee tax withholding requirements that arose in connection with such vesting. As a result, the Company cash funded the statutory minimum tax withholdings which resulted in a reduction of additional paid-in capital of \$2.3 million and \$10.2 million for the nine months ended September 30, 2008 and 2007, respectively.

In accordance with SFAS 123(R), "Share-Based Payment," and due to increases in forfeiture activity, the Company revised the forfeiture rate used to calculate non-cash equity-based compensation expense. As a result, the Company recorded a cumulative adjustment of \$5.6 million, reducing non-cash equity-based compensation expense for the three and nine months ended September 30, 2008.

NOTE 12—INCOME TAXES

For the nine months ended September 30, 2008, the Company recorded income tax expense of \$2.6 million on a loss before income taxes of \$9.6 million. Comparatively, for the year ended December 31, 2007, the Company recorded income tax expense of \$1.4 million on income before income taxes of \$252.0 million. The tax provision is calculated based on the Company's estimated annual tax rate on jurisdictional and alternative minimum income. Management currently anticipates a pre-tax loss in 2008 but expects that it will have income tax expense primarily due to these jurisdictional alternative minimum taxes. As of December 31, 2007, the Company had available U.S. net operating loss (NOL) carryforwards of \$175.9 million. This carryforward excludes \$52.9 million of additional NOLs due to limitations prescribed by SFAS 123(R), that are available from an income tax return perspective.

Aside from any projected current year utilization, the Company maintains a full valuation allowance on deferred tax assets arising primarily from NOL carryforwards and other tax attributes because the future realization of such benefits is uncertain. As a result, to the extent that those benefits are realized in future periods, they will favorably affect tax expense and net income.

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Unrecognized tax benefits increased \$0.8 million during the three months ended September 30, 2008, due to deductions claimed for tax return purposes. The entire \$0.8 million would favorably affect our effective tax rate if recognized; however, the Company cannot reasonably estimate whether there will be a significant change to the reserve for unrecognized tax benefits related to this amount in the next twelve months.

NOTE 13—INDUSTRY SEGMENT AND GEOGRAPHIC REPORTING

SFAS 131, “Disclosure about Segments of an Enterprise and Related Information,” established standards for reporting information about operating segments in annual financial statements and in interim financial reports issued to shareholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment.

The Company’s operations are managed on the basis of three geographic regions, Americas, EMEA (Europe, Middle East, and Africa) and Asia. Management evaluates the performance of such regions and allocates resources to them based primarily on revenue. The Company has evaluated the criteria for aggregation of its geographic regions under SFAS 131 and believes it meets each of the respective criteria set forth therein. The Company’s geographic regions maintain similar sales forces, each of which offer all of the Company’s services due to the similar nature of such services. In addition, the geographic regions utilize similar means for delivering the Company’s services; have similarity in the types of customers receiving the products and services; and distribute the Company’s services over a unified network and using comparable data center technology. In light of these factors, management has determined that the Company has one reportable segment.

Selected financial information for the Company’s geographic regions is presented below. For the three months ended September 30, 2008 and 2007, revenue earned in the U.S. represented approximately 84% and 86% of total revenue, respectively, and 84% and 86% for the nine months ended September 30, 2008 and 2007, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenue:				
Americas	\$ 183,322	\$ 163,886	\$ 533,734	\$ 515,399
EMEA	26,236	23,005	76,023	64,527
Asia	8,805	3,371	24,830	16,138
Total revenue	<u>\$ 218,363</u>	<u>\$ 190,262</u>	<u>\$ 634,587</u>	<u>\$ 596,064</u>
			September 30, 2008	December 31, 2007
Property and equipment, net:				
Americas			\$ 616,209	\$ 577,553
EMEA			88,854	26,462
Asia			19,053	12,569
Total property and equipment, net			<u>\$ 724,116</u>	<u>\$ 616,584</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided in addition to the accompanying consolidated condensed financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

- *Executive Summary. Discussion of our business and overall analysis of financial and other highlights affecting the company.*
- *Significant Events. An overview of those significant events that have occurred recently that have an impact on our financial results.*
- *Results of Operations. An analysis of our financial results comparing the three months ended September 30, 2008 to the three months ended September 30, 2007, and the nine months ended September 30, 2008 to the nine months ended September 30, 2007.*
- *Liquidity and Capital Resources. An analysis of changes in our cash flows and a discussion of our financial condition.*
- *Critical Accounting Estimates. Accounting estimates that we believe are most important to understanding the assumptions and judgments incorporated in our financial results.*

You should read the following discussion in conjunction with our accompanying unaudited condensed consolidated financial statements and notes thereto, and our audited consolidated financial statements, notes thereto and MD&A as of and for the year ended December 31, 2007, included in our Annual Report on Form 10-K for such period as filed with the U.S. Securities and Exchange Commission. The results shown herein are not necessarily indicative of the results to be expected in any future periods. This discussion contains forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) based on current expectations which involve risks and uncertainties. Actual results and the timing of events could differ materially from the forward-looking statements as a result of a number of factors. For a discussion of the material factors that could cause actual results to differ materially from the forward-looking statements, you should read "Risk Factors" included in this Form 10-Q.

EXECUTIVE SUMMARY

We provide information technology, or IT, services including managed hosting, utility computing, colocation, managed security, network, and professional services through our global infrastructure to businesses and government agencies around the world. Our services are designed to offer a flexible, comprehensive IT solution that meets the specific IT infrastructure and business needs of our customers. Our suite of products can be purchased individually, in various combinations, or as part of a total or partial outsourcing arrangement. Our point solutions meet the specific needs of customers who require control of their physical assets, while our managed hosting solution provides customers with access to our services and infrastructure without the upfront capital costs associated with equipment acquisition. By partnering with us, our customers are able to drive down the costs of acquiring and managing IT infrastructure, achieve operational efficiency through the use of virtualized technology, and focus their resources on their core business while we ensure the performance of their IT infrastructure. We have approximately 4,000 customers across all industries including the financial services, media and entertainment, software, and government sectors.

Our Services

Although we operate in one operating segment across three geographic locations, we report our revenue in two categories of services: (1) hosting services and (2) network services. In 2007, we previously reported revenue in a third category of service, other services. Revenue from other services was eliminated in June 2007 primarily due to customers transitioning to the acquirer of our content delivery network assets, or CDN Assets. We continue to include a description of other services to allow investors to compare prior periods.

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Hosting Services provide the core facilities, compute, data storage and network infrastructure on which to run business applications. Our hosting services are comprised of colocation and managed hosting and allow our customers to choose which parts of their IT infrastructure they own and operate versus those that we own and operate for them. Customers can scale their use of our services as their own requirements grow and as customers learn the benefits of outsourcing IT infrastructure management.

- **Colocation** is designed for customers seeking data center space and power for their server and networking equipment needs. We manage 29 data centers located in the United States, Europe, and Asia with approximately 1.44 million square feet of gross raised floor space, providing our customers around the world with a secure, high-powered, purpose-built location for their IT equipment.
- **Managed Hosting Services** provide a fully managed solution for a customer's server, data storage, and network equipment needs. In providing our managed hosting services, we deploy industry standard hardware and software platforms that are installed in our data centers to deliver the physical or virtualized services necessary for operating our customers' applications. We provide our managed hosting services, including related technology and operations support, on a monthly fee basis. Managed hosting also includes utility compute and storage, managed security services, and professional services.

Network Services are comprised of our managed network services, including managed IP VPN, High Speed Layer-2 VPN and the services marketed under our WAM!Net brand; hosting area network, or HAN; and bandwidth services. In late 2007, we enhanced the performance of our network services by completing the deployment of our Application Transport Network, which provides an enhanced architecture to our network. This architecture ties together our data centers to facilitate a wide variety of integrated network and hosting solutions, including business continuity and disaster recovery, and ties together our hosting and customer sites into a single IP VPN solution.

Other Services were comprised primarily of streaming and caching services that we provided pursuant to a reseller agreement that we entered into with Level 3 Communications, Inc., or Level 3, in connection with the sale of our CDN Assets, and the services that we provided under our contract with Moneyline Telerate Holdings, Inc., or Telerate, which contract was assigned to Reuters in June 2005 in connection with Reuters' acquisition of Telerate. Revenue from other services was eliminated in June 2007 primarily due to CDN customers having transitioned to Level 3 and the completion of the migration of Telerate to Reuters' products.

Business Trends and Outlook

Demand for our colocation services and the network services associated with our colocation services remains strong despite the current economic environment. Since we began our global data center expansion plan in 2007, we have opened ten new high grade data centers; and as of September 30, 2008, approximately 54% of the colocation space in these new data centers has been sold. The prices per square foot that we are able to charge for these new data centers are higher than our older data centers due primarily to higher power capacity at these new facilities. While we believe demand for our older, lower power capacity data centers will remain solid, we believe that many customers will purchase colocation services at the new facilities despite the higher prices due to customers' use of new IT equipment, which has improved processing capability but also requires higher power capacity. As a result, we expect that the new data centers will contribute significantly to our total future revenue. Factors that could cause demand to be different from our expectations and the resulting revenue include changes in customer order patterns, including order cancellations, and changes in business and economic conditions.

While the demand for our colocation services remains strong, the sales cycle for our managed hosting services has remained slower than it has been in the past. Historically, the sales process for our managed hosting services required a six to nine month sales cycle. However, this sales cycle has lengthened over the last several months, and we believe the slowing is due to the critical nature of our managed hosting services to our customers' IT infrastructure and the consequential lengthening of our customers' internal decision-making process, as well as our customers' possible uncertainty regarding general economic conditions in the U.S.

In addition, we continue to experience slowing demand and pricing pressure in some of our network services. Prices for our network services have decreased over the past several years, and we have seen a decline in the demand for some of our network services due to increased competition and the introduction of new technologies by large telecommunications providers.

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Based on current economic conditions and demand for our services, we continue to remain focused on initiatives that we believe will grow our business, including:

- Increasing the quality of our infrastructure and the reliability of our services and client satisfaction through the expansion of high grade data center space;
- Improving the efficiencies in our general and administrative areas through process improvement and increasing overall productivity; and
- Exploring strategic options for those services that have experienced relatively slow growth in the past in order to allow us to focus on our high growth services.

In addition, we remain focused and continue to monitor the current economic environment and the impact the economic downturn may have on our customers, particularly those customers in the financial services industry. Approximately 27% of our revenue for the three months ended September 30, 2008, was generated by customers in the financial sector. Given the current economic environment and uncertainty in the financial services industry, we remain cautious regarding these customers and their future impact on our revenue. Recently, one such financial services customer, which accounted for approximately 3% of our revenue for the nine months ended September 30, 2008, announced the completion of its merger with another company. This merger was unrelated to the current credit crisis; however, we believe the merged entity may cancel its contract with us, which would result in a decrease in revenue in the future.

We regularly review our revenue, cost of revenue, and income (loss) from operations to evaluate our financial results and overall performance of our business and to assess trends that may affect our business. The following table presents an overview of these indicators for the periods indicated (dollars in thousands):

	Three Months Ended				
	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Revenue (1)	\$ 218,363	\$ 212,941	\$ 203,283	\$ 197,769	\$ 190,262
Cost of Revenue	127,050	122,872	118,651	111,555	112,348
Income (loss) from operations (2)	11,069	867	(420)	2,774	3,734

(1) Excludes depreciation, amortization, and accretion, which is reported as a separate component of Total Operating Expenses on the Consolidated Statements of Operations, and includes non-cash equity-based compensation expense of \$0.2 million, \$1.6 million, \$1.5 million, \$1.4 million, and \$1.4 million, respectively.

(2) Includes non-cash equity-based compensation expense of \$2.4 million, \$9.6 million, \$8.9 million, \$9.0 million, and \$8.7 million, respectively.

Revenue

Our total revenue for the three months ended September 30, 2008, increased 15% from the three months ended September 30, 2007. Hosting revenue increased \$31.2 million, or 27%, partially offset by a \$3.1 million decline of network services revenue.

The increase in hosting revenue reflected added colocation revenue from new and existing data centers and continued demand for managed hosting services. Managed hosting services represented 30% of total revenue for the three months ended September 30, 2008, compared to 29% for the three months ended September 30, 2007.

Network services revenue consists of revenue from managed IP VPN services, HAN services, and bandwidth services to enterprise and wholesale customers. Network services revenue represented 34% of total revenue for the three months ended September 30, 2008, compared to 40% for the three months ended September 30, 2007. HAN services revenues increased \$1.6 million, but this increase was offset by a \$1.4 million decline in bandwidth volumes and a \$3.3 million decline in managed IP VPN revenue.

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Other services revenue was eliminated in the last half of 2007. This category formerly included revenue from Telerate, which migrated its customers to Reuters' products in 2007, and CDN revenue, which was eliminated in connection with our sale of the CDN Assets to Level 3 in January 2007.

The majority of our total revenue continues to be generated from commercial customers rather than customers in the government sector. Revenue generated from commercial customers was approximately 97% of our total revenue for the three months ended September 30, 2008.

Cost of Revenue

Among other financial measures, we use cost of revenue to evaluate our business. Cost of revenue is primarily comprised of lease and rental costs, utilities, network and telecommunication costs, operations and maintenance, property taxes, and personnel related expenses, including non-cash equity-based compensation. Cost of revenue excludes depreciation, amortization, and accretion, which is reported separately in our unaudited condensed consolidated statements of operations. Cost of revenue was \$127.1 million for the three months ended September 30, 2008, an increase of \$14.8 million, or 13%, from \$112.3 million for the three months ended September 30, 2007. This increase in cost of revenue was primarily the result of an expanded cost base to support sales and revenue growth, including \$8.2 million in rent and utilities on new data centers, \$3.5 million in personnel costs, and \$2.9 million in network costs.

Income (Loss) from Operations

Income from operations was \$11.1 million for the three months ended September 30, 2008, an increase of \$7.4 million, compared to income from operations of \$3.7 million for the three months ended September 30, 2007. The increase in income from operations was primarily driven by a \$6.3 million decrease in non-cash equity-based compensation expense, which was the result of a cumulative forfeiture rate adjustment made during the three months ended September 30, 2008.

SIGNIFICANT EVENTS

Lombard Loan Agreement

In June 2008, one of our subsidiaries, SAVVIS UK Limited, entered into a loan agreement, or the UK Loan Agreement, with Lombard North Central Plc, or Lombard. The UK Loan Agreement provides for borrowings of up to £35.0 million to be used in connection with the construction and development of a new data center in the United Kingdom. The UK Loan Agreement allows for advances from the lender to finance certain payments due to the contractor and others during the construction period. The UK Loan Agreement has a five-year term and requires quarterly installments of interest only for the first two years and quarterly installments of principal and interest for the remainder of the term. The interest incurred through the construction period, which ended September 30, 2008, was added to the principal balance of the loan. In September 2008, we entered into an interest rate swap agreement, or the Swap Agreement, with National Westminster Bank, Plc, or NatWest, to hedge the quarterly interest payments incurred and paid to Lombard during the three year period beginning October 1, 2008 and ending September 30, 2011. Under the terms of the Swap Agreement, we owe quarterly interest to NatWest at a fixed LIBOR interest rate of 5.31%, and receive from NatWest payments based on the same notional amount at the three month LIBOR interest rate set quarterly at the beginning of each quarter. The Swap Agreement effectively fixes the three month LIBOR interest rate payments owed to Lombard under the terms of the UK Loan Agreement at 8.11% for the three years commencing on October 1, 2008. We have guaranteed the obligations of SAVVIS UK under the UK Loan Agreement and the Swap Agreement and the obligations are secured by a first priority security interest in substantially all of SAVVIS UK's current data center assets and certain future assets which will be located in the new data center. We currently maintain a letter of credit of £7.3 million and are required to maintain a letter of credit for a minimum of two years from the construction completion date. As of September 30, 2008, outstanding borrowings under the UK Loan Agreement totaled £29.3 million, or approximately \$54.3 million, with an effective interest rate of 8.20%.

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Forfeiture Rate Adjustment

In accordance with Statement of Financial Accounting Standards (SFAS) 123(R), "Share-Based Payment," and due to increases in forfeiture activity, we revised the forfeiture rate used to calculate non-cash equity-based compensation expense. As a result, we recorded a cumulative adjustment of \$5.6 million, reducing non-cash equity-based compensation expense for the three and nine months ended September 30, 2008.

Debt Extinguishment

In June 2007, we completed an early extinguishment of our Series A Subordinated Notes, or the Subordinated Notes. We made cash payments totaling \$342.5 million to the note holders which included the original principal of \$200.0 million, paid-in-kind and make-whole interest of \$147.6 million, an early extinguishment premium of \$3.5 million, and a negotiated discount to the original contractual extinguishment provisions of \$8.6 million. In connection with the extinguishment, we wrote-off the unamortized original issue discount of \$23.8 million and the remaining unamortized issuance costs of \$0.5 million, and recorded a loss on debt extinguishment of \$45.1 million in June 2007.

Sale of Data Center Assets

In June 2007, we sold assets related to two of our data centers located in Santa Clara, California for \$190.2 million in cash before fees, the assumption and forgiveness of certain liabilities, including \$10.4 million of previously advanced revenue, and the assignment of an operating lease associated with the facilities. In connection with the sale, we recorded a gain on sale of \$180.5 million for the year ended December 31, 2007. We recorded revenue of \$16.5 million related to these data centers for the nine months ended September 30, 2007, all of which was recorded in the first half of 2007.

Sale of Content Delivery Network Assets

In January 2007, we completed the sale of substantially all of the assets related to our CDN services for \$132.5 million, after certain working capital adjustments and the assumption of certain liabilities, pursuant to a purchase agreement dated December 23, 2006. The transaction resulted in net proceeds of \$128.3 million, after transaction fees, related costs, and working capital adjustments and we recorded a gain on sale of \$125.2 million for the nine months ended September 30, 2007, all of which was recorded in the first six months of 2007.

RESULTS OF OPERATIONS

The historical financial information included in this Form 10-Q is not intended to represent the consolidated results of operations, financial position, or cash flows that may be achieved in the future.

Three Months Ended September 30, 2008 Compared to the Three Months Ended September 30, 2007

Executive Summary of Results of Operations

Revenue increased \$28.1 million, or 15%, for the three months ended September 30, 2008 compared to the three months ended September 30, 2007, primarily resulting from higher revenue from colocation and managed hosting services, partially offset by a \$3.0 million decline of network services revenue. Income from operations increased \$7.4 million, for the three months ended September 30, 2008 compared to the three months ended September 30, 2007. This increase was primarily driven by a \$6.3 million decrease in non-cash equity-based compensation expense, which was primarily the result of a cumulative forfeiture rate adjustment made during the three months ended September 30, 2008. Income before income taxes for the three months ended September 30, 2008 was \$1.1 million, a decrease of \$2.3 million, compared to income before income taxes of \$3.4 million for the three months ended September 30, 2007. The decrease was the result of \$10.0 million net interest expense and other, which offset income from operations for the three months ended September 30, 2008, compared to \$0.3 million for the three months ended September 30, 2007.

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Revenue. The following table presents revenue by major service category (dollars in thousands):

	Three Months Ended September 30,			
	2008	2007	Dollar Change	Percentage Change
Revenue:				
Colocation	\$ 78,382	\$ 58,559	\$ 19,823	34%
Managed hosting	66,518	55,155	11,363	21%
Total hosting	144,900	113,714	31,186	27%
Network services	73,463	76,548	(3,085)	(4)%
Total revenue	\$ 218,363	\$ 190,262	\$ 28,101	15%

Revenue was \$218.4 million for the three months ended September 30, 2008, an increase of \$28.1 million, or 15%, from \$190.3 million for the three months ended September 30, 2007. Hosting revenue was \$144.9 million for the three months ended September 30, 2008, an increase of \$31.2 million, or 27%, from \$113.7 million for the three months ended September 30, 2007. The increase was due to revenue growth of \$11.4 million in our managed hosting offerings, primarily from utility computing and professional services, and a \$19.8 million increase in colocation revenue that resulted from sales into new and expanded data centers. Network services revenue was \$73.5 million for the three months ended September 30, 2008, a decrease of \$3.0 million, or 4%, from \$76.5 million for the three months ended September 30, 2007. The decrease was driven by a \$4.7 million decline in managed IP VPN revenue and CDN usage, partially offset by increased HAN revenue of \$1.6 million.

Cost of Revenue. Cost of revenue includes costs of leasing local access lines to connect customers to our Points of Presence, or PoPs; leasing backbone circuits to interconnect our PoPs; indefeasible rights of use, operations and maintenance; rental costs, utilities, and circuit costs; and salaries and related benefits for engineering, service delivery and provisioning, customer service, consulting services and operations personnel who maintain our network, monitor network performance, resolve service issues, and install new sites. Cost of revenue excludes depreciation, amortization, and accretion, which is reported as a separate line item of operating costs, and includes non-cash equity-based compensation. Cost of revenue was \$127.1 million for the three months ended September 30, 2008, an increase of \$14.8 million, or 13%, from \$112.3 million for the three months ended September 30, 2007. This increase was primarily driven by an expanded cost base to support revenue growth, including \$8.2 million in rent and utilities on new data centers, \$3.5 million in personnel costs, and \$2.9 million in network costs. The increase was partially offset by \$1.3 million of the cumulative forfeiture rate adjustment recorded during the three months ended September 30, 2008 that related to cost of revenue. Cost of revenue, as a percentage of revenue, was 58% for the three months ended September 30, 2008 compared to 59% for the three months ended September 30, 2007.

Sales, General, and Administrative Expenses. Sales, general, and administrative expenses include sales and marketing salaries and related benefits; product management, pricing and support salaries and related benefits; sales commissions and referral payments; advertising, direct marketing and trade show costs; occupancy costs; executive, financial, legal, tax and administrative support personnel and related costs; professional services, including legal, accounting, tax and consulting services; and bad debt expense. It excludes depreciation, amortization, and accretion, which is reported as a separate line item of operating costs, and includes non-cash equity-based compensation. Sales, general, and administrative expenses were \$46.0 million for the three months ended September 30, 2008, a decrease of \$5.1 million, or 10%, from \$51.1 million for the three months ended September 30, 2007, due primarily to \$4.3 million of the cumulative forfeiture rate adjustment recorded during the three months ended September 30, 2008 that related to sales, general, and administrative expenses. Sales, general, and administrative expenses as a percentage of revenue were 21% for the three months ended September 30, 2008 compared with 27% for the three months ended September 30, 2007.

Depreciation, Amortization, and Accretion. Depreciation, amortization, and accretion expense consists primarily of the depreciation of property and equipment, amortization of intangible assets, and accretion expense related to the aging of the discounted present value of certain liabilities, including asset retirement obligations, and unfavorable long-term fixed price contracts assumed in an acquisition. Depreciation, amortization, and accretion was \$34.2 million for the three months ended September 30, 2008, an increase of \$11.5 million, or 51%, from \$22.7 million for the three months ended September 30, 2007. This increase was due to the addition and expansion of data centers and other capital expenditures.

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Net Interest Expense and Other. Net interest expense and other primarily represents interest on our long-term debt, interest on our capital and financing method lease obligations, certain other non-operating charges, and interest income on our invested cash balances. Net interest expense and other was \$10.0 million for the three months ended September 30, 2008, an increase of \$9.7 million, from \$0.3 million for the three months ended September 30, 2007. The \$3.3 million increase in interest expense for the three months ended September 30, 2008 was due to \$1.2 million increase in interest on the Cisco loan and capital leases and the absence of \$2.2 million of capitalized interest, which reduced interest expense in the three months ended September 30, 2007. Interest income decreased \$2.8 million due to lower average daily cash balances invested during the three months ended September 30, 2008, and other income expense decreased \$3.5 million, primarily due to unfavorable impact from currency revaluation of foreign denominated balances.

The following table presents an overview of the components of net interest expense and other (dollars in thousands):

	Three Months Ended September 30,			
	2008	2007	Dollar Change	Percentage Change
Interest expense and other, net				
Interest expense	\$ 9,439	\$ 6,097	\$ 3,342	55%
Interest income	(604)	(3,413)	2,809	82%
Other (income) expense	1,137	(2,364)	3,501	148%
Total interest expense and other, net	\$ 9,972	\$ 320	\$ 9,652	302%

Income (Loss) before Income Taxes. Income before income taxes for the three months ended September 30, 2008 was \$1.1 million, a decline of \$2.3 million, from income before income taxes of \$3.4 million for the three months ended September 30, 2007, driven by the factors previously described.

Income Tax Expense. Income tax expense for the three months ended September 30, 2008 was \$1.7 million compared to a \$1.9 million benefit for the three months ended September 30, 2007. The 2007 results benefited from the utilization of existing net operating losses and the realization of the interest deductions from the extinguishment of the Subordinated Notes. The 2007 federal return-to-provision adjustments increased our 2008 effective tax rate. Additionally, certain jurisdictional alternative minimum taxes will be payable in 2008 despite our pre-tax loss.

Net Income (Loss). Net loss for the three months ended September 30, 2008 was \$0.6 million, a decline of \$5.9 million, from net income of \$5.3 million for the three months ended September 30, 2007, driven by the factors previously described.

Nine Months Ended September 30, 2008 Compared to the Nine Months Ended September 30, 2007

Executive Summary of Results of Operations

Revenue increased \$38.5 million, or 6%, for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007, as a result of a 23% improvement in managed hosting, which was partially offset by declines in network services and the elimination of other services revenue. Income from operations declined \$323.7 million, for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007, which included the gain on the sales of CDN Assets of \$125.2 million and the data center assets of \$180.5 million. Excluding the gains, the decline in income from operations of \$18.0 million was due primarily to increased costs to support revenue growth, including costs associated with our new and expanded data centers. Loss before income taxes for the nine months ended September 30, 2008, was \$9.6 million. Excluding the gains on sales of assets and a \$45.1 million loss on debt extinguishment, loss before income taxes was \$4.9 million for the nine months ended September 30, 2007, an increase of \$4.7 million.

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Revenue. The following table presents revenue by major service category (dollars in thousands):

	Nine Months Ended September 30,			
	2008	2007	Dollar Change	Percentage Change
Revenue:				
Colocation	\$ 221,052	\$ 196,379	\$ 24,673	13%
Managed hosting	192,540	156,464	36,076	23%
Total hosting	413,592	352,843	60,749	17%
Network services	220,995	233,862	(12,867)	(6)%
Other services	—	9,359	(9,359)	(100)%
Total revenue	\$ 634,587	\$ 596,064	\$ 38,523	6%

Revenue was \$634.6 million for the nine months ended September 30, 2008, an increase of \$38.5 million, or 6%, from \$596.1 million for the nine months ended September 30, 2007. Hosting revenue was \$413.6 million for the nine months ended September 30, 2008 an increase of \$60.8 million, or 17%, from \$352.8 million for the nine months ended September 30, 2007. The increase was due to \$36.1 million in revenue growth in our managed hosting services, primarily utility computing and professional services, and a \$24.7 million increase in colocation revenue that resulted from sales into new and expanded data centers, partially offset by an absence of revenue from data center assets sold in June 2007, which contributed \$16.5 million in revenue during the prior year nine month period. Network services revenue was \$221.0 million for the nine months ended September 30, 2008, a decrease of \$12.9 million from \$233.9 million for the nine months ended September 30, 2007. The decrease was driven by declines in enterprise and wholesale bandwidth volumes and in managed IP VPN revenue. Other services revenue contributed \$9.4 million for the nine months ended September 30, 2007, and was eliminated in the second half of 2007, due to CDN customers migrating to Level 3 and Telerate completing its transition to Reuters' products.

Cost of Revenue. Cost of revenue was \$368.6 million for the nine months ended September 30, 2008, an increase of \$25.8 million, or 7%, from \$342.8 million for the nine months ended September 30, 2007. Cost of revenue, as a percentage of revenue, was 58% for the nine months ended September 30, 2008 and September 30, 2007. The increase in cost of revenue was primarily driven by an expanded cost base to support sales and revenue growth, including a \$13.6 million increase in rent and utilities on new data centers and an \$8.8 million increase in personnel costs.

Sales, General, and Administrative Expenses. Sales, general, and administrative expenses were \$154.4 million for the nine months ended September 30, 2008, a decrease of \$2.2 million, or 1%, from \$156.6 million for the nine months ended September 30, 2007, due primarily to the cumulative forfeiture rate adjustment made during the nine months ended September 30, 2008, of which \$4.3 million related to sales, general, and administrative expenses, which was partially offset by increased personnel costs. Sales, general, and administrative expenses as a percentage of revenue were 24% for the nine months ended September 30, 2008 compared to 26% for the nine months ended September 30, 2007.

Depreciation, Amortization, and Accretion. Depreciation, amortization, and accretion was \$100.1 million for the nine months ended September 30, 2008, an increase of \$32.9 million, or 49%, from \$67.2 million for the nine months ended September 30, 2007. This increase was due to the addition and expansion of data centers and other capital expenditures.

Gain on Sales of Assets. As previously described, the sale of our data center assets resulted in a gain of \$180.5 million, after transaction fees and related costs and a working capital adjustment, and the sale of our CDN Assets resulted in a gain of \$125.2 million, after transaction fees and related costs and a working capital adjustment, for the nine months ended September 30, 2007.

Loss on Debt Extinguishment. As previously described, in connection with the extinguishment of our Subordinated Notes in June 2007, we incurred a charge of \$45.1 million representing the payment of make-whole interest on the Subordinated Notes, and the write-off of the remaining original issue discount and related deferred financing costs.

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Net Interest Expense and Other. Net interest expense and other was \$21.1 million for the nine months ended September 30, 2008, a decrease of \$13.4 million, or 39%, from \$34.5 million for the nine months ended September 30, 2007. This decrease was largely due to the absence of interest on our Subordinated Notes, which were extinguished in June 2007, which was partially offset by increases in interest on our Convertible Notes and capital leases in the nine months ended September 30, 2008. Interest income decreased \$8.1 million due to lower average daily cash balances invested during the nine months ended September 30, 2008, and other income decreased \$2.5 million, primarily due to unfavorable impact from currency revaluation of foreign denominated balances.

The following table presents an overview of the components of net interest expense and other (dollars in thousands):

	Nine Months Ended September 30,			
	2008	2007	Dollar Change	Percentage Change
Interest expense and other, net				
Interest expense	\$ 26,722	\$ 45,697	\$ (18,975)	(41)%
Interest income	(2,918)	(11,033)	8,115	74%
Other (income) expense	(2,709)	(207)	(2,502)	(1208)%
Total interest expense and other, net	<u>\$ 21,095</u>	<u>\$ 34,457</u>	<u>\$ (13,362)</u>	<u>(39)%</u>

Income (Loss) before Income Taxes. Loss before income taxes for the nine months ended September 30, 2008, was \$9.6 million, a decrease of \$265.2 million, from income before income taxes of \$255.6 million for the nine months ended September 30, 2007, primarily driven by the factors previously described.

Income Tax Expense. Income tax expense was \$2.6 million for the nine months ended September 30, 2008 and September 30, 2007. The Federal minimum taxes recorded in the nine months ended September 30, 2007 were higher than those recorded in the nine months ended September 30, 2008, however, we incurred certain return-to-provision adjustments in 2008.

Net Income (Loss). Net loss for the nine months ended September 30, 2008, was \$12.2 million, a decrease of \$265.3 million from net income of \$253.1 million for the nine months ended September 30, 2007, primarily driven by gains on sales of assets, as well as factors previously described.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2008, our cash and cash equivalents balance was \$116.0 million. Of this amount, \$15.7 million was invested in the money market fund, Reserve Primary Fund, or RPF, which recently received SEC approval to delay redemptions until financial markets allow orderly investment dispositions. As a result, our investment in RPF is not currently liquid. In addition, RPF reported that its shares fell below one dollar, but they have not confirmed the current share market value. We do not believe that the current liquidity issues related to this fund will be more than temporary or impact our ability to fund our ongoing business operations.

As of September 30, 2008, we had \$100.7 million in net cash provided by operating activities during the nine months ended September 30, 2008, an increase of \$10.5 million from net cash provided by operating activities of \$90.2 million for the nine months ended September 30, 2007. This change was due to overall improvements in our results of operations, driven by higher revenue growth that outpaced the growth in costs. Net cash used in investing activities for the nine months ended September 30, 2008 was \$209.3 million, a decrease of \$280.3 million from net cash provided by investing activities of \$71.0 million for the nine months ended September 30, 2007. This change was primarily related to the absence of proceeds received for our sales of data center and CDN Assets in 2007 for net proceeds of \$318.5 million, partially offset by a \$38.9 million decrease in capital expenditures. Net cash provided by financing activities for the nine months ended September 30, 2008 was \$46.3 million, an increase of \$49.9 million from net cash used in financing activities of \$3.6 million for the nine months ended September 30, 2007. This increase primarily relates to \$56.4 million in proceeds from the Lombard financing, partially offset by increased principal payments on capital lease obligations and the Cisco loan.

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We believe we have sufficient cash to fund business operations and capital expenditures for at least twelve months from the date of this filing, from cash on hand, operations, and available debt capacity. We may supplement this near-term liquidity with credit facilities and equity or debt financings if favorable financing terms are made available to us. Due to the dynamic nature of our industry and unforeseen circumstances, if we are unable to fully fund cash requirements through operations or available debt capacity, we will need to obtain additional financing through a combination of equity and debt financings, renegotiation of terms on our existing debt, and sales of assets. If any such activities become necessary, there can be no assurance that we would be successful in completing any of these activities on terms that would be favorable to us. As of September 30, 2008, unused availability under our \$85.0 million Revolving Facility was \$60.6 million, which reflects \$24.4 million of outstanding letters of credit, pledged as collateral to support certain facility leases and utility agreements.

The following table presents a quarterly overview of our cash flows for the periods indicated (dollars in thousands):

	Three Months Ended				
	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Net cash provided by operating activities	\$ 47,265	\$ 21,431	\$ 31,984	\$ 27,106	\$ 33,924
Net cash used in investing activities	(68,877)	(97,107)	(43,293)	(100,399)	(86,386)
Net cash provided by (used in) financing activities	20,079	29,633	(3,409)	(278)	132
Net decrease in cash and cash equivalents	(2,162)	(46,433)	(18,499)	(73,799)	(52,063)

Discussion of Changes in Liquidity and Capital Resources

Long-term Debt and Other Financing

The following table sets forth our long-term debt and other financing as of September 30, 2008 and December 31, 2007 (dollars in thousands):

	September 30, 2008	December 31, 2007
Convertible Notes	\$ 345,000	\$ 345,000
Other financing	29,045	8,362
Lombard loan facility	54,334	—
Revolving credit facility	—	—
Capital and financing method lease obligations ⁽²⁾	173,045	166,482
Total long-term debt and other financing	\$ 601,424	\$ 519,844

- (1) Other financing includes borrowings under our Cisco loan agreement, for which the weighted-average interest rate was 6.50% as of September 30, 2008 and December 31, 2007. The amount presented in the table above includes the current amounts due of \$6.6 million and \$1.8 million as of September 30, 2008 and December 31, 2007, respectively. Payments on the loan are made monthly.
- (2) Capital and financing method lease obligations include capital and financing method leases on certain of our facilities and equipment held under capital leases. The weighted-average interest rates for such leases were 12.40% as of September 30, 2008 and 12.70% as of December 31, 2007. The amounts presented in the table above include the current amounts due of \$6.3 million as of September 30, 2008 and \$4.4 million as of December 31, 2007, respectively.

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Future Principal Payments

The following table sets forth our aggregate future principal payments of long-term debt as of September 30, 2008 (dollars in thousands):

	Future Principal Payments of Long-term Debt (1)						
	Total	Remainder 2008	2009	2010	2011	2012	2013
Convertible Notes	\$ 345,000	\$ —	\$ —	\$ —	\$ —	\$ 345,000	\$ —
Other financing (2)	29,045	1,650	6,600	6,600	6,600	6,122	1,473
Lombard loan facility	63,089	—	—	—	13,519	24,785	24,785
Revolving credit facility	—	—	—	—	—	—	—
Total	\$ 437,134	\$ 1,650	\$ 6,600	\$ 6,600	\$ 20,119	\$ 375,907	\$ 26,258

- (1) Does not include future payments on our capital and financing method lease obligations.
- (2) Future principal payments for the Lombard loan facility include estimated future borrowings per the terms of the Loan Agreement and scheduled payments based on those future borrowings. The Lombard loan facility is denominated in GBP, future principal payments in USD are based on our quarter-end exchange rate.

The weighted-average interest rate applicable to outstanding borrowings was 3.9% and 3.1% as of September 30, 2008 and December 31, 2007, respectively.

Convertible Notes

In May 2007, we issued \$345.0 million aggregate principal amount of 3.0% Convertible Senior Notes due May 15, 2012, or the Convertible Notes. Interest is payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2007.

The Convertible Notes are governed by an Indenture dated May 9, 2007, between us, as issuer, and The Bank of New York, as trustee, or the Indenture. The Indenture does not contain any financial covenants or restrictions on the payment of dividends, the incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by us. The Convertible Notes are unsecured and are effectively subordinated to our existing or future secured debts to the extent of the assets securing such debt.

Upon conversion, holders will receive, at our election, cash, shares of our common stock, or a combination thereof. However, we may at any time irrevocably elect for the remaining term of the Convertible Notes to satisfy our conversion obligation in cash up to 100% of the principal amount of the Convertible Notes converted, with any remaining amount to be satisfied, at our election, in cash, shares of our common stock, or a combination thereof.

The initial conversion rate is 14.2086 shares of common stock per \$1,000 principal amount of Convertible Notes, subject to adjustment. This represents an initial conversion price of approximately \$70.38 per share of common stock. Holders of the Notes may convert their Convertible Notes prior to maturity upon the occurrence of certain circumstances. Upon conversion, due to the conversion formulas associated with the Convertible Notes, if our stock is trading at levels exceeding the conversion price per share of common stock, and if we elect to settle the obligation in cash, additional consideration beyond the \$345.0 million of gross proceeds received would be required.

We have determined that the Convertible Notes contain an embedded derivative requiring bifurcation and separate accounting treatment. Such derivative had a de minimis fair value as of September 30, 2008 and as a result, we have not recorded any related amounts in the condensed consolidated financial statements. We will remeasure this embedded derivative each reporting period, as applicable, and changes in fair value will be reported in the consolidated statement of operations. We have concluded that the contingently issuable shares are dilutive for diluted net income (loss) per common share calculations using the "if-converted" method.

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In connection with the issuance of the Convertible Notes, debt issuance costs totaling \$8.9 million were deferred and are being amortized to interest expense through the maturity date of the Convertible Notes, May 15, 2012. Debt issuance costs related to the Convertible Notes, net of accumulated amortization, were \$6.5 million as of September 30, 2008.

Subordinated Notes

In June 2007, we completed the early extinguishment of our Subordinated Notes by making cash payments totaling \$342.5 million to the respective note holders. Such payments included the original principal of \$200.0 million, paid-in-kind and make-whole interest of \$147.6 million, and an early extinguishment premium of \$3.5 million, offset by a negotiated discount to the original contractual extinguishment provisions of \$8.6 million. In connection with the extinguishment, we wrote-off the remaining unamortized original issue discount of \$23.8 million and the remaining unamortized issuance costs of \$0.5 million, and recorded a loss on extinguishment of \$45.1 million in June 2007.

Credit Facilities

Revolving Facility. We maintain an \$85.0 million revolving credit facility, or the Revolving Facility, which includes a \$27.5 million letter of credit provision. The Revolving Facility may be used for working capital and other general corporate purposes. The Revolving Facility matures and all outstanding borrowings and unpaid interest are due on December 9, 2008. On or before the maturity date, we expect to renew the Revolving Facility with current market terms. In addition, all outstanding borrowings are subject to mandatory prepayment upon certain events, including the availability of less than \$7.0 million in borrowing capacity and qualified cash balances, as defined by the Revolving Facility agreement. The Revolving Facility is secured by substantially all of our domestic properties and assets and we may terminate the Revolving Facility prior to maturity. As of September 30, 2008, we had no outstanding principal amounts under the Revolving Facility, but had outstanding letters of credit of \$24.4 million and unused availability of \$60.6 million. Unused commitments on the Revolving Facility are subject to a 0.5% annual commitment fee.

Loan Agreement and Lease Facility. We maintain a loan and security agreement, or the Loan Agreement, and a master lease agreement, or the Lease Agreement, with Cisco Systems Capital Corporation. The Loan Agreement provides for borrowings of up to \$33.0 million, at an annual interest rate of 6.50%, to purchase network equipment. The Lease Agreement provides a lease facility (the Lease Facility) to lease equipment with borrowings at the discretion of Cisco Systems Capital Corporation, at an annual interest rate based on two-year U.S. Treasury Notes. The effective interest rate on current outstanding borrowings ranges from 5.52% to 7.25%. We may utilize up to \$3.0 million of the Lease Facility for third party manufactured equipment. The obligations under the Loan Agreement are secured by a first-priority security interest in the equipment purchased with the proceeds from the loan. As of September 30, 2008, we had \$29.0 million in borrowings outstanding under the Loan Agreement, and \$17.5 million under the Lease Facility.

Lombard Loan Agreement. In June 2008, one of our subsidiaries, SAVVIS UK Limited, entered into a loan agreement, or the UK Loan Agreement, with Lombard North Central Plc, or Lombard. The UK Loan Agreement provides for borrowings of up to £35.0 million to be used in connection with the construction and development of a new data center in the United Kingdom. The UK Loan Agreement allows for advances from the lender to finance certain payments due to the contractor and others during the construction period. The UK Loan Agreement has a five-year term and requires quarterly installments of interest only for the first two years and quarterly installments of principal and interest for the remainder of the term. The interest incurred through the construction period, which ended September 30, 2008, was added to the principal balance of the loan. In September 2008, we entered into an interest rate swap agreement, or the Swap Agreement, with National Westminster Bank, Plc, or NatWest, to hedge the quarterly interest payments incurred and paid to Lombard during the three year period beginning October 1, 2008 and ending September 30, 2011. Under the terms of the Swap Agreement, we owe quarterly interest to NatWest at a fixed LIBOR interest rate of 5.31%, and receive from NatWest payments based on the same notional amount at the three month LIBOR interest rate set quarterly at the beginning of each quarter. The Swap Agreement effectively fixes the three month LIBOR interest rate payments owed to Lombard under the terms of the UK Loan Agreement at 8.11% for three years commencing on October 1, 2008. We have guaranteed the obligations of SAVVIS UK under the UK Loan Agreement and the obligations are secured by a first priority security interest in substantially all of SAVVIS UK's current data center assets and certain future assets which will be located in

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the new data center. We currently maintain a letter of credit of £7.3 million and are required to maintain a letter of credit for a minimum of two years from the construction completion date. As of September 30, 2008, outstanding borrowings under the UK Loan Agreement totaled £29.3 million, or approximately \$54.3 million, with an effective interest rate of 8.20%.

Debt Covenants

The provisions of our debt agreements contain a number of covenants including, but not limited to, maintaining certain financial conditions, restricting or limiting our ability to incur more debt, pay dividends, and repurchase stock (subject to financial measures and other conditions). The ability to comply with these provisions may be affected by events beyond our control. The breach of any of these covenants could result in a default under our debt agreements and could trigger acceleration of repayment. As of and during the three and nine months ended September 30, 2008, we were in compliance with all applicable covenants under the debt agreements.

Commitments and Contingencies

Our customer contracts generally span multiple periods, which results in us entering into arrangements with various suppliers of communications services that require us to maintain minimum spending levels, some of which increase over time, to secure favorable pricing terms. Our remaining aggregate minimum spending levels, allocated ratably over the terms of such contracts, are \$19.1 million, \$52.0 million, \$34.7 million, \$19.4 million, \$13.6 million, and \$69.8 million during the years ended December 31, 2008, 2009, 2010, 2011, 2012, and thereafter, respectively. Should we not meet the minimum spending levels in any given term, decreasing termination liabilities, representing a percentage of the remaining contractual amounts, may become immediately due and payable. Furthermore, certain of these termination liabilities are potentially subject to reduction should we experience the loss of a major customer or suffer a loss of revenue from a general economic downturn. Before considering the effects of any potential reductions for the business downturn provisions, if we had terminated all of these agreements as of September 30, 2008, the maximum liability would have been \$208.6 million. To mitigate this exposure, when possible, we align our minimum spending commitments with customer revenue commitments for related services.

We are subject to various legal proceedings and actions arising in the normal course of our business. While the results of all such proceedings and actions cannot be predicted, management believes, based on facts known to management today, that the ultimate outcome of all such proceedings and actions will not have a material adverse effect on our consolidated financial position, results of operation, or cash flows. Refer to Note 9 of our Unaudited Condensed Consolidated Financial Statements.

We have employment agreements with key executive officers that contain provisions with regard to base salary, bonus, equity-based compensation, and other employee benefits. These agreements also provide for severance benefits in the event of employment termination or a change in control.

Off-Balance-Sheet Arrangements

As of September 30, 2008, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K. In the normal course of business, we are a party to certain guarantees and financial instruments with off-balance sheet risk as they are not reflected in our consolidated balance sheets, such as letters of credit, indemnifications, and operating leases, under which the majority of our facilities are leased. The agreements associated with such guarantees and financial instruments mature at various dates through December 2022, and may be renewed as circumstances warrant. Our financial instruments are valued based on the estimated amount of exposure and the likelihood of performance being required. Based on our past experience, no claims have been made against these financial instruments nor do we expect the exposure to material losses resulting therefrom to be anything other than remote. As a result, we determined such financial instruments did not have significant value and have not recorded any related amounts in our consolidated financial statements. As of September 30, 2008, we had \$24.4 million in letters of credit outstanding under the Revolving Facility, pledged as collateral to support certain facility leases and utility agreements. Also, in connection with the sale of our CDN Assets, we agreed to indemnify the purchaser should it incur certain losses due to a breach of our representations and warranties.

[Table of Contents](#)**CRITICAL ACCOUNTING ESTIMATES*****Revenue Recognition***

We derive the majority of our revenue from recurring revenue streams, consisting primarily of hosting services, which includes managed hosting and colocation, and network services. We recognize revenue from those services as they are provided. Installation fees, although generally billed upon installation, are deferred and recognized ratably over the life of the customer contract. Revenue is recognized when the related service has been provided, there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection is reasonably assured.

In addition, we have service level commitments pursuant to individual customer contracts with a majority of our customers. To the extent that such service levels are not achieved, or are otherwise disputed due to performance or service issues, unfavorable weather, or other service interruptions or conditions, we estimate the amount of credits to be issued and record a reduction to revenue, with a corresponding increase in the allowance for credits and uncollectibles. In the event that we provide credits or payments to customers related to service level claims, we may request recovery of such costs through third party insurance agreements. Insurance proceeds received under these agreements are recorded as an offset to previously recorded revenue reductions.

Allowance for Credits and Uncollectibles

As previously described, we have service level commitments with certain of our customers. To the extent that such service levels are not achieved, we estimate the amount of credits to be issued, based on historical credits issued and known disputes, and record a reduction to revenue, with a corresponding increase in the allowance for credits and uncollectibles.

We assess collectibility of accounts receivable based on a number of factors, including customer payment history and creditworthiness. We generally do not request collateral from our customers although in certain cases we may obtain a security deposit. We maintain an allowance for uncollectibles when evaluating the adequacy of allowances, and we specifically analyze accounts receivable, current economic conditions and trends, historical bad debt write-offs, customer concentrations, customer payment history and creditworthiness, and changes in customer payment terms. Delinquent account balances are charged to expense after we have determined that the likelihood of collection is not probable.

Equity-Based Compensation

We recognize equity-based compensation in accordance with SFAS 123(R), "Share-Based Payment." The fair value of total equity-based compensation for stock options and restricted preferred units is calculated using the Black-Scholes option pricing model, which utilizes certain assumptions and estimates that have a material impact on the amount of total compensation cost recognized in our consolidated financial statements. For stock options, an additional assumption is made on the number of awards expected to vest, which decreases the amount of total expense recognized. Total equity-based compensation costs for restricted stock units and restricted stock awards are calculated based on the market value of our common stock on the date of grant. Total equity-based compensation is amortized to non-cash equity-based compensation expense over the vesting or performance period of the award, as applicable, which typically ranges from three to four years.

Other Critical Accounting Policies

While all of the significant accounting policies described in the notes to the unaudited condensed consolidated financial statements contained elsewhere herein are important, some of these policies may be viewed as being critical. Such policies are those that are most important to the portrayal of our financial condition and require our most difficult, subjective or complex estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of our condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates and assumptions on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ from these estimates and assumptions. For further information regarding the application of these and other accounting policies, see Note 2 of Notes to the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report and Part II, Item 7 of our 2007 Annual Report on Form 10-K.

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RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2007, the FASB issued SFAS 141(R), "Business Combinations." SFAS 141(R) amends SFAS 141 and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in an acquiree. It also provides disclosure requirements to enable users of financial statements to evaluate the nature and financial effects of a business combination. It is effective for fiscal years beginning on or after December 15, 2008 and will be applied prospectively to any future acquisitions. We do not believe the adoption of SFAS 141(R) will have a material effect on our consolidated financial position, results of operations, or cash flows.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. This includes qualitative disclosures about objectives for using derivatives by primary risk exposure and by purpose or strategy; information about the volume of the derivative activity; tabular disclosure of the financial statement location and amounts of the gains and losses related to the derivatives; and disclosures about credit-risk related contingent features in derivative agreements. It is effective for fiscal years beginning on or after November 15, 2008, with early adoption encouraged. We do not believe the adoption of SFAS 161 will have a material effect on our consolidated financial position, results of operations, or cash flows.

In May 2008, the FASB issued Staff Position, or FSP, APB 14-a, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)." This FSP changes the accounting for our Convertible Notes. Under the new rules, for convertible debt instruments that may be settled entirely or partially in cash upon conversion, an entity should separately account for the liability and equity components of the instruments to reflect the issuer's economic interest cost. This will require the reclassification of approximately \$65 million from long-term debt to additional paid-in capital, which will be treated as original issue discount of the Convertible Notes. Higher interest expense will result by recognizing the accretion of the discounted carrying value of the Convertible Notes to their face amount as interest expense over the term of the Convertible Notes. The FSP is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years, and requires retrospective application to all periods presented. While the FSP does not change the economic substance or cash flow requirements of the Convertible Notes, our interest expense will increase by approximately \$13 million per year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

As of September 30, 2008, we had approximately \$54.3 million (using an effective exchange rate as of September 26, 2008) outstanding variable rate debt under the UK Loan Agreement. The interest rate payable is three month LIBOR plus 2.80%, which for the three months ended December 31, 2008 will equal 9.12%. We have effectively fixed the variable interest rate for the outstanding balance as of September 30, 2008 at 8.11% for three years by entering into an interest rate swap agreement with NatWest. New borrowings under the UK Loan Agreement will remain at the variable one month LIBOR plus 2.80%. The remainder of our outstanding debt was fixed rate debt and was comprised of \$345.0 million outstanding for the Convertible Notes, which bear interest at 3% per annum and \$29.0 million outstanding for the Loan Agreement with Cisco Systems Capital Corporation, which provides for borrowings of up to \$33.0 million, at an annual interest rate of 6.50%, to purchase network equipment.

There have been no material changes in our assessment of market risk sensitivity since our presentation of "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the Exchange Act)) as of the end of the period covered by this report. Based on management's evaluation as of the end of the period covered by this report, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in U.S. Securities and Exchange Commission rules and forms and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended) during the period covered by this report that materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various legal proceedings and actions arising in the normal course of our business. While the results of all such proceedings and actions cannot be predicted, management believes, based on facts known to management today, that the ultimate outcome of all such proceedings and actions will not have a material adverse affect on our consolidated financial position, results of operation, or cash flows.

One such action in which we were the defendant was an action brought by SiteLite Holdings, Inc., or SiteLite, in the Superior Court of California, County of Orange, which alleged among other things several business torts and statutory violations related to a contractual relationship with us that we terminated in 2005. We agreed to settle all claims made by SiteLite for an immaterial amount, which was paid by our insurance company, and the court dismissed the case with prejudice during the three months ended September 30, 2008.

ITEM 1A. RISK FACTORS.

You should carefully consider the risks described below in addition to all other information provided to you in this document. Any of the following risks could materially and adversely affect our business, results of operations and financial condition. The risks and uncertainties described below are those that we currently believe may materially affect our company. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect our company.

The description of our risk factors below includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007.

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Risks Related to Our Business

Our operating results may fluctuate significantly, which makes our future results difficult to predict and may cause our operating results to fall below expectations.

Although we recognized net income of \$250.6 million for the year ended December 31, 2007, we incurred a net loss of \$12.2 million for the nine months ended September 30, 2008, a net loss of \$44.0 million for the year ended December 31, 2006, and a net loss of \$69.1 million in the year ended December 31, 2005 and we may incur net losses in the future. We may also have fluctuations in revenues, expenses and losses due to a number of factors, many of which are beyond our control, including the following:

- demand for and market acceptance of our hosting and network products;
- increasing sales, marketing, and other operating expenses;
- our ability to retain key employees that maintain relationships with our customers;
- the duration of the sales cycle for our services;
- changes in customers' budgets for information technology purchases and in the timing of their purchasing decisions;
- the announcement or introduction of new or enhanced services by our competitors;
- acquisitions and dispositions we may make;
- our ability to implement internal systems for reporting, order processing, purchasing, billing and general accounting, among other functions, including our ability to implement an information technology system provided by SAP AG;
- our ability to meet performance standards under our agreements with our customers;
- changes in the prices we pay for utilities, local access connections, Internet connectivity, and longhaul backbone connections;
- the timing and magnitude of capital expenditures, including costs relating to the expansion of operations, and of the replacement or upgrade of our network and hosting infrastructure; and
- unfavorable changes in general economic conditions in the U.S. or other countries in which we do business.

Accordingly, our results of operations for any period may not be comparable to the results of operations for any other period and should not be relied upon as indications of future performance.

Our failure to meet performance standards under our agreements could result in our customers terminating their relationships with us or our customers being entitled to receive financial compensation, which could lead to reduced revenues.

Our agreements with our customers contain various guarantees regarding our performance and our levels of service. If we fail to provide the levels of service or performance required by our agreements, our customers may be able to receive service credits for their accounts and other financial compensation, as well as terminate their relationship with us. In addition, any inability to meet our service level commitments or other performance standards could reduce the confidence of our customers and could consequently impair our ability to obtain and retain customers, which would adversely affect both our ability to generate revenues and our operating results.

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We depend on a number of third-party providers, and the loss of, or problems with, one or more of these providers may impede our growth or cause us to lose customers.

We are dependent on third-party providers to supply products and services. For example, we lease equipment from equipment providers, bandwidth capacity from telecommunications network providers in the quantities and quality we require, and data center space from third party landlords. While we have entered into various agreements for equipment, carrier line capacity, and data center space, any failure to obtain equipment, additional capacity, or space, if required, would impede the growth of our business and cause our financial results to suffer. In addition, our customers that use the equipment and facilities we lease or the services of these telecommunication providers may in the future experience difficulties due to failures unrelated to our systems. If, for any reason, these providers fail to provide the required services to our customers or suffer other failures, we may incur financial losses and our customers may lose confidence in our company, and we may not be able to retain these customers.

Our indebtedness could limit our ability to operate our business successfully.

As of September 30, 2008, the total principal amount of our debt, including capital and financing method lease obligations was \$601.4 million. In addition, we expect from time to time to continue to incur additional indebtedness and other liabilities in the future. If we incur additional indebtedness or if we use more cash than we generate in the future, then the possibility that we may not have cash sufficient to pay, when due, the outstanding amount of our indebtedness will increase. If we do not have sufficient cash available to repay our debt obligations when they mature, we will have to refinance such obligations or we would be in default under the terms of our debt obligations, and there can be no assurance that we will be successful in such refinancing or that the terms of any refinancing will be acceptable to us. This also means that we will need to dedicate a substantial portion of our cash flow from operations to the payment of our indebtedness, reducing the funds available for operations, working capital, capital expenditures, sales and marketing initiatives, acquisitions, and general corporate or other purposes.

We may not be able to secure additional financing on favorable terms to meet our future capital needs.

If we do not have sufficient cash flow from our operations, we may need to raise additional funds through equity or debt financings in the future in order to meet our operating and capital needs. We may not be able to secure additional debt or equity financing on favorable terms, or at all, at the time when we need such funding. Our current revolving credit facility matures in December 2008. While we believe that we will be able to renew this facility, there can be no assurance that we will be able to renew the facility on terms acceptable to us. In the event that we are unable to renew this facility or are unable to raise additional funds, our liquidity will be impacted and our business could suffer. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. In addition, any debt financing that we may secure in the future could have restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Furthermore, if we decide to raise funds through debt or convertible debt financings, we may be unable to meet our interest or principal payments.

We may make acquisitions or enter into joint ventures or strategic alliances, each of which is accompanied by inherent risks.

If appropriate opportunities present themselves, we may make acquisitions or investments or enter into joint ventures or strategic alliances with other companies. Risks commonly encountered in such transactions include:

- the difficulty of assimilating the operations and personnel of the combined companies;
- the risk that we may not be able to integrate the acquired services, products, or technologies with our current services, products, and technologies;
- the potential disruption of our ongoing business;
- the diversion of management attention from our existing business;
- the inability to retain key technical and managerial personnel;
- the inability of management to maximize our financial and strategic position through the successful integration of acquired businesses;

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- difficulty in maintaining controls, procedures, and policies;
- the impairment of relationships with employees, suppliers, and customers as a result of any integration;
- the loss of an acquired base of customers and accompanying revenue;
- the assumption of leased facilities or other long-term commitments, or the assumptions of unknown liabilities, that could have a material adverse impact on our profitability and cash flow; and
- possible dilution to our stockholders.

As a result of these potential problems and risks, businesses that we may acquire or invest in may not produce the revenue, earnings, or business synergies that we anticipated. In addition, we cannot assure that any potential transaction will be successfully identified and completed or that, if completed, the acquired businesses or investment will generate sufficient revenue to offset the associated costs or other potential harmful effects on our business.

A material reduction in revenue from our largest customer or the loss of other key customers could harm our financial results to the extent not offset by cost reductions or additional revenue from new or other existing customers.

Reuters accounted for \$87.6 million, or 11%, of our revenue in 2006 and \$58.0 million, or 7%, of our revenue in 2007, and \$44.0 million, or 7%, of our revenue for the first nine months of 2007 compared to \$45.6 million, or 7%, of our revenue in the first nine months of 2008. In addition, investment companies, banks and other financial services companies, excluding Reuters, accounted for approximately 16% of our revenue for the first nine months of 2007 and 19% of our revenue in the first nine months of 2008. The loss of Reuters or any of our other key customers, including our customers in the financial sector, due to the acquisition of such customers, their bankruptcy, adverse economic or other reasons, or a considerable reduction in the amount of our services that these customers purchase, could materially reduce our revenues which, to the extent not offset by cost reductions or revenue from new or other existing customers, could materially reduce our cash flows and financial position. This may limit our ability to raise capital or fund our operations, working capital needs, and capital expenditures in the future.

Our operations could be adversely affected if we are unable to maintain peering arrangements with Internet Service Providers on favorable terms.

We enter into peering agreements with Internet Service Providers throughout our market which allow us to access the Internet and exchange traffic transparently with these providers. Previously, many providers agreed to exchange traffic without charging each other. Recently, however, many providers that previously offered peering transparency have reduced peering relationships or are seeking to impose charges for transit, especially for unbalanced traffic offered and received by us with these peering partners. For example, several network operators with large numbers of individual users claim that they should be able to charge network operators and businesses that send traffic to those users. Increases in costs associated with Internet and exchange traffic could have an adverse effect on our business. If we are not able to maintain our peering relationships on favorable terms, we may not be able to provide our customers with affordable services, which would adversely affect our results from operations.

We may be liable for the material that content providers distribute over our network.

The law relating to the liability of private network operators for information carried on, stored, or disseminated through their networks is still unsettled. We may become subject to legal claims relating to the content disseminated on our network. For example, lawsuits may be brought against us claiming that material on our network on which someone relied was inaccurate. Claims could also involve matters such as defamation, invasion of privacy, and copyright infringement. In addition, there are other issues such as online gambling where the legal issues remain uncertain. If we need to take costly measures to reduce our exposure to these risks, or are required to defend ourselves against such claims, our financial results could be negatively affected.

Failures in our products or services, including our network and colocation services, could disrupt our ability to provide services, increase our capital costs, result in a loss of customers, or otherwise negatively affect our business.

Our ability to implement our business plan successfully depends upon our ability to provide high quality, reliable services. Interruptions in our ability to provide our services to our customers or failures in our products or services, through the occurrence of a natural disaster, human error, extreme temperature, or other unanticipated problem, could adversely affect our business and reputation. For example, problems at one or more of our data center facilities could result in service interruptions or failures or

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could cause significant equipment damage. In addition, our network could be subject to unauthorized access, computer viruses, and other disruptive problems caused by customers, employees, or others. Unauthorized access, computer viruses, or other disruptive problems could lead to interruptions, delays, or cessation of service to our customers. In addition, we may be unable to implement disaster recovery or security measures in a timely manner or, if and when implemented, these measures may not be sufficient or could be circumvented through the reoccurrence of a natural disaster or other unanticipated problem, or as a result of accidental or intentional actions. Resolving network failures or alleviating security problems may also require interruptions, delays, or cessation of service to our customers. Accordingly, failures in our products and services, including problems at our data centers, network interruptions, or breaches of security on our network may result in significant liability, a loss of customers, and damage to our reputation.

Our operations may be harmed and we could be subject to regulatory penalties and litigation if our network security is breached by unauthorized third parties.

If unauthorized third parties breach the security measures on our network, we could be subject to liability and could face reduced customer confidence in our services. Unauthorized access could also potentially jeopardize the security of confidential information of our customers or our customers' end-users, which might expose us to liability from customers and the government agencies that regulate us, as well as deter potential customers from purchasing our services. Any internal or external breach in our network could severely harm our business and result in costly litigation and potential liability for us. Although we attempt to limit these risks contractually, there can be no assurance that we will limit the risk and not incur financial penalties. To the extent our customers demand that we accept unlimited liability and to the extent there is a competitive trend to accept it, such a trend could affect our ability to retain these limitations in our contracts at the risk of losing the business.

Increased energy costs, power outages, and limited availability of electrical resources may adversely affect our operating results.

Our data centers are susceptible to regional costs and supply of power and electrical power outages. We attempt to limit exposure to system downtime by using backup generators and power supplies. However, we may not be able to limit our exposure entirely even with these protections in place. In addition, our energy costs have recently increased and may continue to increase for a variety of reasons including increased pressure on legislators to pass green legislation. As energy costs increase, we may not always be able to pass on the increased costs of energy to our customers, which could harm our business. Power and cooling requirements at our data centers are also increasing as a result of the increasing power demands of today's servers. Since we rely on third parties to provide our data centers with power sufficient to meet our customers' power needs, our data centers could have a limited or inadequate amount of electrical resources. Our customer's demand for power may also exceed the power capacity in our older data centers, which may limit our ability to fully utilize these data centers. This could adversely affect our relationships with our customers and hinder our ability to run our data centers, which could harm our business.

If we are unable to recruit or retain qualified personnel, our business could be harmed.

We must continue to identify, hire, train, and retain IT professionals, technical engineers, operations employees, and sales and senior management personnel who maintain relationships with our customers and who can provide the technical, strategic, and marketing skills required for our company to grow. There is a shortage of qualified personnel in these fields, and we compete with other companies for the limited pool of these personnel. The failure to recruit and retain necessary technical, managerial, sales, and marketing personnel could harm our business and our ability to grow our company.

Our failure to implement our growth strategy successfully could harm our business.

Our growth strategy includes increasing revenue from our colocation and managed hosting services. Increasing revenue from our colocation and managed hosting services depends on our ability to raise prices to existing customers to market rates or replace them with higher paying customers. In addition, we have developed new data centers as part of our growth strategy. If we do not have sufficient customer demand in the markets to support the new data centers once they are built, our financial results may be harmed. There is no assurance that we will be able to implement these initiatives in a timely or cost effective manner, and this failure to implement our growth strategy could cause our operations and financial results to be negatively affected.

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We may not be able to protect our intellectual property rights.

We rely upon a combination of internal and external nondisclosure safeguards including confidentiality agreements, as well as trade secret laws to protect our proprietary rights. We cannot, however, assure that the steps taken by us in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. We also are subject to the risk of litigation alleging infringement of third-party intellectual property rights. Any such claims could require us to spend significant sums in litigation, pay damages, develop non-infringing intellectual property, or acquire licenses to the intellectual property that is the subject of the alleged infringement.

We have agreed to certain indemnification obligations which, if we are required to perform, may negatively affect our operations.

In connection with our sale of the assets related to our content delivery network, we agreed to indemnify the purchaser for certain losses that it may incur due to a breach of our representations and warranties. If we are required to perform such obligations should they arise, this may harm our operations and prevent us from being able to engage in favorable business activities, consummate strategic acquisitions or otherwise fund capital needs.

Difficulties presented by international economic, political, legal, accounting, and business factors could harm our business in international markets.

For the nine months ended September 30, 2008, 16% of our total revenue was generated in countries outside of the United States. Some risks inherent in conducting business internationally include:

- unexpected changes in regulatory, tax, and political environments;
- longer payment cycles and problems collecting accounts receivable;
- fluctuations in currency exchange rates;
- our ability to secure and maintain the necessary physical and telecommunications infrastructure;
- challenges in staffing and managing foreign operations; and
- more restrictive laws or regulations, or more restrictive interpretations of existing laws or regulations, such as those related to content distributed over the Internet.

Any one or more of these factors could adversely affect our business.

Our inability to renew our data center leases on favorable terms could have a negative impact on our financial results.

All of our data centers are leased and have lease terms that expire between 2011 and 2022. The majority of these leases provide us with the opportunity to renew the lease at our option for periods generally ranging from five to ten years. Many of these options however, if renewed, provide that rent for the renewal period will be equal to the fair market rental rate at the time of renewal. If the fair market rental rates are significantly higher than our current rental rates, we may be unable to offset these costs by charging more for our services, which could have a negative impact on our financial results.

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Our investment portfolio is subject to market fluctuations which may affect our liquidity.

Historically, we have invested in AAA rated U.S. government agencies, AAA rated money market funds meeting certain criteria, and A1/P1 rated commercial paper. The market value of these investments may decline due to general credit, liquidity, market, interest rate, and issuer default risks, which may be directly or indirectly affected by the current credit crisis that has affected various sectors of the financial markets causing credit and liquidity issues. Currently, our investment portfolio partially consists of the money market fund, Reserve Primary Fund (“RPF”), which recently received SEC approval to delay redemptions until financial markets allow an orderly investment disposition. As a result, our investment in RPF is not currently liquid. In addition, RPF reported that their shares fell below one dollar, but have not confirmed the current share market value. We do not believe that the current liquidity issues related to this fund will impact our ability to fund our ongoing business operations. However, if the global credit crisis persists or intensifies, declines in the market values of our investments in the future could have an adverse impact on our financial condition and operating results.

Risks Related to Our Industry

The markets for our hosting, network and professional services are highly competitive, and we may not be able to compete effectively.

The markets for our hosting, network, and professional services are extremely competitive. 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 these markets. Many of our current and potential competitors have longer operating histories, greater name recognition, access to larger customer bases and greater market presence, lower costs of capital, 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 networking 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 products and services that are superior to ours 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 price and performance offers to our existing and potential employees;
- establish cooperative relationships with each other or with third parties; and
- take advantage of existing relationships with customers more effectively or exploit their more widely recognized brand name to market and sell their services.

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Our failure to achieve desired price levels could affect our ability to achieve profitability or positive cash flow.

We have experienced and expect to continue to experience pricing pressure for some of the services that we offer. Prices for Internet services have decreased in recent years and may decline in the future. In addition, by bundling their services and reducing the overall cost of their services, telecommunications companies that compete with us may be able to provide customers with reduced communications costs in connection with their hosting, data networking, or Internet access services, thereby significantly increasing pricing pressure on us. 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 data networking and VPNs and Internet access and hosting industries are likely to continue to encounter consolidation which could result in greater efficiencies in the future. Increased price competition or consolidation in these markets could result in erosion of our revenues and operating margins and could have a negative impact on our profitability. Furthermore, larger consolidated telecommunications providers have indicated that they want to start billing companies delivering services over the Internet a premium charge for priority access to connected customers. If these providers are able to charge companies such as us for this, our costs will increase, and this could affect our results of operations.

New technologies could displace our services or render them obsolete.

New technologies or industry standards, including those technologies protected by intellectual property rights, have the potential to replace or provide lower cost alternatives to our hosting, networking, and Internet access services. The adoption of such new technologies or industry standards could render our technology and services obsolete, unmarketable, or require us to incur significant capital expenditures to expand and upgrade our technology to meet new standards. We cannot guarantee that we will be able to identify new service opportunities successfully or, if identified, be able to develop and bring new products and services to market in a timely and cost-effective manner. In addition, we cannot guarantee that services or technologies developed by others will not render our current and future services non-competitive or obsolete or that our current and future services will achieve or sustain market acceptance or be able to effectively address the compatibility and interoperability issues raised by technological changes or new industry standards. If we fail to anticipate the emergence of, or obtain access to, a new technology or industry standard, we may incur increased costs if we seek to use those technologies and standards, or our competitors that use such technologies and standards may use them more cost-effectively than us.

The data networking and Internet access industries are highly regulated in many of the countries in which we currently operate or plan to provide services, which could restrict our ability to conduct business in the United States and internationally.

We are subject to varying degrees of regulation in each of the jurisdictions in which we provide services. Local laws and regulations, and their interpretation and enforcement, differ significantly among those jurisdictions, and can change significantly over time. Future regulatory, judicial, and legislative changes or interpretations may have a material adverse effect on our ability to deliver services within various jurisdictions. For example, the European Union enacted a data retention system that, once implemented by individual member states, will involve requirements to retain certain IP data that could have an impact on our operations in Europe. Moreover, national regulatory frameworks that are consistent with the policies and requirements of the World Trade Organization have only recently been, or are still being, put in place in many countries. Accordingly, many countries are still in the early stages of providing for and adapting to a liberalized telecommunications market. As a result, in these markets we may encounter more protracted and difficult procedures to obtain licenses.

Within the United States, the U.S. government continues to evaluate the data networking and Internet access industries. The Federal Communications Commission has a number of on-going proceedings that could affect our ability to provide services. Such regulations and policies may complicate our efforts to provide services in the future, including increasing the costs of certain services that we purchase from regulated providers. Our operations are dependent on licenses and authorizations from governmental authorities in most of the foreign jurisdictions in which we operate or plan to operate, and with respect to a limited number of our services, in the United States. These licenses and authorizations generally will contain clauses pursuant to which we may be fined or our license may be revoked on short notice. Consequently, we may not be able to obtain or retain the licenses necessary for our operations or be able to retain these licenses at costs which allow us to compete effectively.

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Our financial results will be negatively affected if the demand for data center space does not continue to increase as new data centers are built.

Recently, the demand for data center space has risen significantly causing the prices that we can charge our customers for our data center space to increase. Due to the increased demand, new data centers have been built in the markets in which we compete. If the demand for data center space in these markets does not continue to increase as these new data centers are built, there will be excess capacity in the marketplace which could lead to lower prices for our services and have a negative impact on our financial results.

Risks Related to Our Common Stock

Sales of a significant amount of our common stock in the public market could reduce our stock price or impair our ability to raise funds in new stock offerings.

We have approximately 53.0 million shares of common stock outstanding. Additionally, we have Convertible Notes, in-the-money stock options, and other equity awards outstanding that may be exercised or converted at various times to acquire 5.2 million shares, or approximately 10%, of our common stock on a fully diluted basis as of October 24, 2008. Shares issued upon exercise of our outstanding options and Convertible Notes will cause immediate and substantial dilution to our existing stockholders and may be immediately sold in the public markets. As of October 24, 2008, investment partnerships sponsored by Welsh, Carson, Anderson & Stowe (Welsh Carson) own approximately 29% of our outstanding common stock, and since December 2006, Welsh Carson has distributed over 12.1 million shares of our common stock to its limited partners. These shares may and some have been sold in the public market immediately following such distributions. Also, as of October 24, 2008, Welsh Carson and individuals affiliated with Welsh Carson are entitled to certain registration rights with respect to 14.2 million shares of our common stock held by them. Sales of substantial amounts of shares of our common stock in the public market, including sales following Welsh Carson distributions, or the perception that those sales will occur, could cause the market price of our common stock to decline. Those sales also might make it more difficult for us to sell equity and equity-related securities in the future at a time and at a price that we consider appropriate.

Our stock price is subject to significant volatility.

Since October 1, 2007, until the present, the closing price per share of our common stock has ranged from a high of \$43.40 per share to a low of \$5.90 per share. Our stock price has been, and may continue to be, subject to significant volatility due to sales of our securities by significant stockholders and the other risks and uncertainties described or incorporated by reference herein. The price of our common stock may also fluctuate due to conditions in the technology industry or in the financial markets generally.

Our certificate of incorporation, bylaws, and Delaware law contain provisions that could discourage a takeover.

Our certificate of incorporation and Delaware law contain provisions which may make it more difficult for a third party to acquire us, including provisions that give the Board of Directors the power to issue shares of preferred stock. We have also chosen to be subject to Section 203 of the Delaware General Corporation Law, which, subject to certain exceptions, prevents a stockholder of more than 15% of a company's voting stock from entering into business combinations set forth under Section 203 with that company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

On October 31, 2008, SAVVIS UK Limited (“SAVVIS UK”), a wholly owned subsidiary of SAVVIS, Inc., a Delaware corporation (“SAVVIS”), entered into a Deed of Guarantee, Priority and Acknowledgement (the “Deed”) with National Westminster Bank Plc (“NatWest”) and Lombard North Central Plc (“Lombard”) setting forth certain obligations of SAVVIS UK in connection with an interest rate swap agreement between SAVVIS UK and NatWest (the “Swap Agreement”) that was entered into pursuant to a loan from Lombard to SAVVIS UK for the development of a new data center in the United Kingdom (the “Data Center”).

The Deed provides among other things that SAVVIS UK’s obligations under the Swap Agreement are guaranteed by SAVVIS and are secured by a first-priority security interest in substantially all of SAVVIS UK’s current data center assets and certain future assets which will be located in the new Data Center. In connection with the Deed, on October 31, 2008, SAVVIS Communications Corporation, a wholly-owned subsidiary of SAVVIS (“SCC”), entered into a Consent and Amendment No. 12 to its Credit Agreement dated June 10, 2005, as amended, by and among SCC, SAVVIS, the lenders that are signatories thereto and Wells Fargo Foothill, Inc., as the arranger and the administrative agent, to allow SAVVIS UK and SAVVIS to enter into the Deed and other related documents.

The foregoing description of the Deed and the other documents related to the Deed do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which are filed as Exhibits 10.3 through 10.5 to this quarterly report on Form 10-Q hereto and are incorporated herein by reference.

(b) As disclosed in our Current Report on Form 8-K filed with the SEC on August 1, 2008, the Board of Directors has adopted Amended and Restated Bylaws (the “Bylaws”). These Bylaws change the procedures by which holders of our common stock may nominate persons for election to our Board of Directors at a meeting of stockholders and adopt a new advance notice procedure for stockholders who wish to submit matters to a meeting of our stockholders.

Under Section 1.11 of the Bylaws, any stockholder proposal, including, stockholder nominations of persons for election to the Board, must be delivered to our corporate secretary not less than 90 days nor more than 120 days prior to the anniversary date of the prior year’s annual meeting of stockholders; provided, however, that in the event the date of the annual meeting is advanced or delayed by more than 30 days (other than as a result of adjournment) from the anniversary of the previous year’s annual meeting, notice by the stockholder to be timely must be delivered not earlier than the 120th day prior to the date of the annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the date on which public announcement of the date of such meeting is first made. The notice must contain the information specified in the Bylaws.

As previously stated in our 2008 proxy statement dated April 4, 2008, if a stockholder wants us to include a proposal in our proxy statement for the 2009 annual meeting of stockholders, it must be submitted by December 6, 2008. Under the Bylaws, if a stockholder (i) wants to submit a proposal for the 2009 annual meeting, but does not ask us to include it in the proxy statement, or (ii) intends to nominate a person as a candidate for election to the Board directly, rather than through our Corporate Governance Committee, the stockholder still must submit the proposal or nomination under the timeframes set forth in our Bylaws. For our 2009 annual meeting of stockholders, we must receive proposals and nominations no earlier than January 21, 2009 and no later than February 20, 2009. If the date of our 2009 annual meeting of stockholders is advanced or delayed by more than 30 days from May 20, 2009, we shall inform our stockholders, in our earliest possible quarterly report on Form 10-Q, of such change and the new dates for submitting stockholder proposals.

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ITEM 6. EXHIBITS.

The following exhibits are either provided with this Form 10-Q or are incorporated herein by reference.

Exhibit Index Number	Exhibit Description	Filed with the Form 10-Q	Incorporated by Reference		
			Form	Filing Date with the SEC	Exhibit Number
3.1	Amended and Restated Certificate of Incorporation of the Registrant		S-1	November 12, 1999	3.1
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant		S-1/A	January 31, 2000	3.2
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant		10-Q	August 14, 2002	3.3
3.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant		10-Q	August 13, 2004	3.4
3.5	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant		10-Q	August 5, 2005	3.5
3.6	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant		8-K	June 7, 2006	3.1
3.7	Amended and Restated Bylaws of the Registrant		8-K	August 1, 2008	3.1
4.1	Form of Common Stock Certificate		S-1/A	January 31, 2000	4.1
4.2	Indenture, dated as of May 9, 2007, between Registrant and The Bank of New York, as trustee, including the Form of Global Note attached as Exhibit A thereto		8-K	May 10, 2007	4.1
10.1	Amendment No. 10 to Credit Agreement dated September 25, 2008, by and among SAVVIS Communications Corporation, Registrant, the lenders that are signatories thereto and Wells Fargo Foothill, Inc., as the arranger and the administrative agent for the lender parties	X			
10.2	Amendment No. 11 to Credit Agreement dated September 30, 2008, by and among SAVVIS Communications Corporation, Registrant, the lenders that are signatories thereto and Wells Fargo Foothill, Inc., as the arranger and the administrative agent for the lender parties	X			
10.3	Amendment No. 12 to Credit Agreement dated October 31, 2008, by and among SAVVIS Communications Corporation, Registrant, the lenders that are signatories thereto and Wells Fargo Foothill, Inc., as the arranger and administrative agent for the lender parties	X			
10.4	Deed of Guarantee, Priority and Acknowledgement dated October 31, 2008, by and among Lombard North Central Plc, SAVVIS UK Limited, Registrant, SAVVIS Communications Corporation and National Westminster Bank Plc	X			
10.5	Asset Security Agreement dated October 31, 2008, by and among SAVVIS UK Limited, Registrant and National Westminster Bank Plc	X			
10.6	Amended and Restated Employee Stock Purchase Plan, as amended on July 31, 2008*		8-K	August 1, 2008	10.1
10.7	Deed of Confidentiality dated September 8, 2008, between SAVVIS UK Limited and all affiliates and Richard S. Warley*	X			
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
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	X			
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	X			

* Compensation plan or arrangement.

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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.

SAVVIS, Inc.

Date: October 31, 2008

By: /s/ Philip J. Koen
Philip J. Koen
Chief Executive Officer
(principal executive officer)

Date: October 31, 2008

By: /s/ Jeffrey H. Von Deylen
Jeffrey H. Von Deylen
Chief Financial Officer
(principal financial officer and principal accounting officer)

AMENDMENT NO. 10 TO CREDIT AGREEMENT

This AMENDMENT NO. 10 TO CREDIT AGREEMENT ("Amendment") is entered into as of September 25, 2008, by and among SAVVIS Communications Corporation, a Missouri corporation ("Borrower"), SAVVIS, Inc. (f/k/a SAVVIS Communications Corporation), a Delaware corporation ("Holdings"), Wells Fargo Foothill, Inc., as a Lender and as Agent for all Lenders ("Agent") and the other Lenders party to the Credit Agreement (as hereinafter defined).

WITNESSETH:

WHEREAS, Borrower, Holdings, Agent and Lenders are parties to that certain Credit Agreement, dated as of June 10, 2005 (as amended, modified and supplemented from time to time, the "Credit Agreement"; capitalized terms not otherwise defined herein have the definitions provided therefore in the Credit Agreement);

WHEREAS, Borrower has informed Agent and Lenders that, on the date hereof, Borrower desires to enter into (i) that certain First Amendment to Deed of Lease with RHP Industrial, LLC, an affiliate of RREEF, relating to the leased location at 45901 Nokes Boulevard, Sterling, Virginia and (ii) that certain First Amendment to Deed of Lease with RHP Industrial, LLC, an affiliate of RREEF, relating to the leased location at 45845 Nokes Boulevard, Sterling, Virginia, in the forms attached hereto as Exhibit A (the "Sterling Leases");

WHEREAS, Borrower has informed Agent and Lenders that it desires to amend the Credit Agreement in certain respects to among other things permit the Indebtedness under the Sterling Leases and Agent and Lenders have agreed to amend the Credit Agreement as set forth herein;

NOW THEREFORE, in consideration of the mutual conditions and agreements set forth in the Credit Agreement and this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendment. Subject to the satisfaction of the conditions set forth in Section 2 below, the Credit Agreement is amended as follows:

(a) Clause (g) of Section 6.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

(g) Indebtedness of up to \$32,000,000 in the aggregate owing under the Sterling Leases,

(b) The following new defined term is hereby added to Schedule 1.1 of the Credit Agreement in its appropriate alphabetical order:

"Sterling Leases" means each of the (i) First Amendment to Deed of Lease dated September 25, 2008 between **Borrower** and RPH Industrial, LLC, an affiliate of RREEF, with respect to the leased location at 45901 Nokes Boulevard,

Sterling, Virginia, and (ii) First Amendment to Deed of Lease dated September 25, 2008 between Borrower and RPH Industrial, LLC, an affiliate of RREEF, with respect to the leased location at 45845 Nokes Boulevard, Sterling, Virginia, in each case as in effect on the Tenth Amendment Effective Date.

“Tenth Amendment Effective Date” means September 25, 2008.

2. Conditions to Effectiveness. The effectiveness of this Amendment is subject to the following conditions precedent (unless specifically waived in writing by Agent), each to be in form and substance satisfactory to Agent:

- (a) Agent shall have received a fully executed copy of this Amendment, together with the Consent and Reaffirmation attached hereto;
- (b) Borrower shall have delivered to Agent fully executed copies of the Sterling Leases;
- (c) Borrower shall have provided to Agent, for the pro rata benefit of Lenders, an amendment fee in the amount of \$25,000 in connection with the execution and delivery by Lenders of this Amendment, which fee shall be fully earned and payable on the date hereof;
- (d) Borrower shall have delivered to Agent such other documents, agreements and instruments as may be requested or required by Agent in connection with this Amendment, each in form and content acceptable to Agent;
- (e) All proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be reasonably satisfactory to Agent and its legal counsel; and
- (f) No Default or Event of Default shall have occurred and be continuing.

3. Miscellaneous.

(a) Warranties and Absence of Defaults. In order to induce Agent to enter into this Amendment, each of Borrower and Holdings hereby warrants to Agent, as of the date hereof, that the representations and warranties of Borrower and Holdings contained in the Credit Agreement are true and correct as of the date hereof as if made on the date hereof (other than those which, by their terms, specifically are made as of certain dates prior to the date hereof).

(b) Expenses. Each of Borrower and Holdings, jointly and severally, agree to pay on demand all costs and expenses of Agent in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided herein shall survive any termination of the Credit Agreement as amended hereby.

(c) Governing Law. This Amendment shall be a contract made under and governed by the internal laws of the State of New York.

(d)Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Receipt by telecopy of any executed signature page to this Amendment shall constitute effective delivery of such signature page.

4. Release.

(a) In consideration of the agreements of Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of Borrower and Holdings, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, either known or suspected, both at law and in equity, which Borrower or Holdings or any of their successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, including, without limitation, for or on account of, or in relation to, or in any way in connection with any of the Credit Agreement, or any of the other Loan Documents or transactions thereunder or related thereto.

(b) Each of Borrower and Holdings understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal and delivered by their respective duly authorized officers on the date first written above.

SAVVIS COMMUNICATIONS CORPORATION,
a Missouri corporation, as Borrower

By: /s/ Philip J. Koen
Title: Chief Executive Officer

SAVVIS, INC.,
a Delaware corporation, as Holdings

By: /s/ Philip J. Koen
Title: Chief Executive Officer

Amendment No. 10 to Credit Agreement

WELLS FARGO FOOTHILL, INC.,
a California corporation, as Agent and as a Lender

By: /s/ Nichol Stuart
Title: Vice President

Amendment No. 10 to Credit Agreement

OHSF FINANCING, LTD., as a Lender

By: /s/ Scott D. Krase
Title: Authorized Signatory

OHSF II FINANCING, LTD., as a Lender

By: /s/ Scott D. Krase
Title: Authorized Signatory

**OAK HILL CREDIT OPPORTUNITIES FINANCING,
LTD.,** as a Lender

By: /s/ Scott D. Krase
Title: Authorized Signatory

OAK HILL CREDIT ALPHA FINANCE I, LLC, as a
Lender

By: Oak Hill Credit Alpha Fund, L.P.,
its Member

By: Oak Hill Credit Alpha Gen Par, L.P.,
its General Partner

By: Oak Hill Credit Alpha MGP, LLC,
its General Partner

By: /s/ Scott D. Krase
Title: Authorized Signatory

**OAK HILL CREDIT ALPHA FINANCE I (OFFSHORE),
LTD.,** as a Lender

By: /s/ Scott D. Krase
Title: Authorized Signatory

Amendment No. 10 to Credit Agreement

**FIRST BANK BUSINESS CAPITAL, INC. f/k/a FB
COMMERCIAL FINANCE, INC., as a Lender**

By: /s/ Gregg Nuiitt

Title: Vice President

Amendment No. 10 to Credit Agreement

CONSENT AND REAFFIRMATION

Each of the undersigned hereby (i) acknowledges receipt of a copy of the foregoing Amendment No. 10 to Credit Agreement (the "Amendment"); (ii) consents to Borrower's execution and delivery of the Amendment; (iii) agrees to be bound by the Amendment; and (iv) reaffirms that the Loan Documents to which it is a party (and its obligations thereunder) shall continue to remain in full force and effect. Although each of the undersigned has been informed of the matters set forth herein and have acknowledged and agreed to same, each of the undersigned understands that Agent and Lenders have no obligation to inform any of the undersigned of such matters in the future or to seek any of the undersigned's acknowledgment or agreement to future amendments, waivers or consents, and nothing herein shall create such a duty.

IN WITNESS WHEREOF, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of the Amendment.

SAVVIS, INC., a Delaware corporation

By: /s/ Philip J. Koen
Title: Chief Executive Officer

SAVVIS COMMUNICATIONS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Philip J. Koen
Title: Chief Executive Officer

SAVVIS FEDERAL SYSTEMS, INC., a Delaware corporation

By: /s/ Philip J. Koen
Title: Chief Executive Officer

AMENDMENT NO. 11 TO CREDIT AGREEMENT

This AMENDMENT NO. 11 TO CREDIT AGREEMENT ("Amendment") is entered into as of September 30, 2008, by and among SAVVIS Communications Corporation, a Missouri corporation ("Borrower"), SAVVIS, Inc. (f/k/a SAVVIS Communications Corporation), a Delaware corporation ("Holdings"), Wells Fargo Foothill, Inc., as a Lender and as Agent for all Lenders ("Agent") and the other Lenders party to the Credit Agreement (as hereinafter defined).

WITNESSETH:

WHEREAS, Borrower, Holdings, Agent and Lenders are parties to that certain Credit Agreement, dated as of June 10, 2005 (as amended, modified and supplemented from time to time, the "Credit Agreement"; capitalized terms not otherwise defined herein have the definitions provided therefore in the Credit Agreement);

WHEREAS, Borrower has informed Agent and Lenders that it desires to amend the Credit Agreement in certain respects to increase the maximum amount of Letter of Credit Usage permitted thereunder and Agent and Lenders have agreed to amend the Credit Agreement as set forth herein;

NOW THEREFORE, in consideration of the mutual conditions and agreements set forth in the Credit Agreement and this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendment. Subject to the satisfaction of the conditions set forth in Section 2 below, the Credit Agreement is amended as follows

(a) Section 2.12(a) of the Credit Agreement is hereby amended by deleting the reference to "\$20,000,000" in clause (ii) of the fifth sentence thereof and inserting "\$27,500,000" in lieu thereof.

2. Conditions to Effectiveness. The effectiveness of this Amendment is subject to the following conditions precedent (unless specifically waived in writing by Agent), each to be in form and substance satisfactory to Agent:

(a) Agent shall have received a fully executed copy of this Amendment, together with the Consent and Reaffirmation attached hereto;

(b) Borrower shall have provided to Agent, for the pro rata benefit of Lenders, an amendment fee in the amount of \$50,000 in connection with the execution and delivery by Lenders of this Amendment, which fee shall be fully earned and payable on the date hereof;

(c) Borrower shall have delivered to Agent such other documents, agreements and instruments as may be requested or required by Agent in connection with this Amendment, each in form and content acceptable to Agent;

(d) All proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be reasonably satisfactory to Agent and its legal counsel; and

(e) No Default or Event of Default shall have occurred and be continuing.

3. Miscellaneous.

(a) Warranties and Absence of Defaults. In order to induce Agent to enter into this Amendment, each of Borrower and Holdings hereby warrants to Agent, as of the date hereof, that the representations and warranties of Borrower and Holdings contained in the Credit Agreement are true and correct as of the date hereof as if made on the date hereof (other than those which, by their terms, specifically are made as of certain dates prior to the date hereof).

(b) Expenses. Each of Borrower and Holdings, jointly and severally, agree to pay on demand all costs and expenses of Agent in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided herein shall survive any termination of the Credit Agreement as amended hereby.

(c) Governing Law. This Amendment shall be a contract made under and governed by the internal laws of the State of New York.

(d) Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Receipt by telecopy of any executed signature page to this Amendment shall constitute effective delivery of such signature page.

4. Release.

(a) In consideration of the agreements of Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of Borrower and Holdings, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, either known or suspected, both at law and in equity, which Borrower or Holdings or any of their successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action,

cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, including, without limitation, for or on account of, or in relation to, or in any way in connection with any of the Credit Agreement, or any of the other Loan Documents or transactions thereunder or related thereto.

(b) Each of Borrower and Holdings understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

[Signature Page Follows]

-3-

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal and delivered by their respective duly authorized officers on the date first written above.

SAVVIS COMMUNICATIONS CORPORATION,
a Missouri corporation, as Borrower

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

SAVVIS, INC.,
a Delaware corporation, as Holdings

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

Amendment No. 11 to Credit Agreement

WELLS FARGO FOOTHILL, INC.,
a California corporation, as Agent and as a Lender

By: /s/ Nichol Stuart
Title: Vice President

Amendment No. 11 to Credit Agreement

OHSF FINANCING, LTD., as a Lender

By: /s/ Robert Okun
Title: Authorized Signatory

OHSF II FINANCING, LTD., as a Lender

By: /s/ Robert Okun
Title: Authorized Signatory

OAK HILL CREDIT OPPORTUNITIES FINANCING, LTD., as a Lender

By: /s/ Robert Okun
Title: Authorized Signatory

OAK HILL CREDIT ALPHA FINANCE I, LLC, as a Lender

By: Oak Hill Credit Alpha Fund, L.P.,
its Member

By: Oak Hill Credit Alpha Gen Par, L.P.,
its General Partner

By: Oak Hill Credit Alpha MGP, LLC,
its General Partner

By: /s/ Robert Okun
Title: Authorized Signatory

OAK HILL CREDIT ALPHA FINANCE I (OFFSHORE), LTD., as a Lender

By: /s/ Robert Okun
Title: Authorized Signatory

Amendment No. 11 to Credit Agreement

**FIRST BANK BUSINESS CAPITAL, INC. f/k/a FB
COMMERCIAL FINANCE, INC., as a Lender**

By: /s/ Gregg Nuiitt

Title: Vice President

Amendment No. 11 to Credit Agreement

CONSENT AND REAFFIRMATION

Each of the undersigned hereby (i) acknowledges receipt of a copy of the foregoing Amendment No. 11 to Credit Agreement (the "Amendment"); (ii) consents to Borrower's execution and delivery of the Amendment; (iii) agrees to be bound by the Amendment; and (iv) reaffirms that the Loan Documents to which it is a party (and its obligations thereunder) shall continue to remain in full force and effect. Although each of the undersigned has been informed of the matters set forth herein and have acknowledged and agreed to same, each of the undersigned understands that Agent and Lenders have no obligation to inform any of the undersigned of such matters in the future or to seek any of the undersigned's acknowledgment or agreement to future amendments, waivers or consents, and nothing herein shall create such a duty.

IN WITNESS WHEREOF, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of the Amendment.

SAVVIS, INC., a Delaware corporation

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

SAVVIS COMMUNICATIONS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

SAVVIS FEDERAL SYSTEMS, INC., a Delaware
corporation

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

AMENDMENT NO. 12 TO CREDIT AGREEMENT

This AMENDMENT NO. 12 TO CREDIT AGREEMENT ("Amendment") is entered into as of October 31, 2008, by and among SAVVIS Communications Corporation, a Missouri corporation ("Borrower"), SAVVIS, Inc. (f/k/a SAVVIS Communications Corporation), a Delaware corporation ("Holdings"), Wells Fargo Foothill, Inc., as a Lender and as Agent for all Lenders ("Agent") and the other Lenders party to the Credit Agreement (as hereinafter defined).

WITNESSETH:

WHEREAS, Borrower, Holdings, Agent and Lenders are parties to that certain Credit Agreement, dated as of June 10, 2005 (as amended, modified and supplemented from time to time, the "Credit Agreement"; capitalized terms not otherwise defined herein have the definitions provided therefore in the Credit Agreement);

WHEREAS, Borrower has informed Agent and Lenders that, on the date hereof, the UK Foreign Subsidiary and Holdings desire to enter into those certain (a) Asset Security Agreement among UK Foreign Subsidiary, Holdings and National Westminster Bank, Plc ("NatWest"), (b) Deed of Guarantee, Priority and Acknowledgment among UK Foreign Subsidiary, Holdings, Borrower, NatWest and Lombard, and (c) Deed of Subordination and Postponement among NatWest, Borrower and UK Foreign Subsidiary in the forms attached hereto as Exhibit A (the "UK Hedging Transaction");

WHEREAS, Borrower has informed Agent and Lenders that it desires to amend the Credit Agreement in certain respects to among other things permit the UK Hedging Transaction, and Agent and Lenders have agreed to amend the Credit Agreement as set forth herein;

NOW THEREFORE, in consideration of the mutual conditions and agreements set forth in the Credit Agreement and this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendment. Subject to the satisfaction of the conditions set forth in Section 2 below, the Credit Agreement is amended as follows:

(a) Clause (b) of Section 2.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

(b) Anything to the contrary in this Section 2.1 notwithstanding, Agent shall have the right to establish reserves in such amounts, and with respect to such matters, as Agent in its Permitted Discretion shall deem necessary or appropriate, against the Maximum Revolver Amount and/or Borrowing Base (provided however the reserves described in the following clauses (C), (D) and (E) may only be applied against the Borrowing Base and not against the Maximum Revolver Amount), including reserves (i) with respect to (A) sums that Holdings, Borrower or any of their respective Subsidiaries is required to pay by any Section of this

Agreement or any other Loan Document (such as taxes, assessments, insurance premiums, or, in the case of leased assets, rents or other amounts payable under such leases) and has failed to pay when due, (B) amounts owing by Holdings, Borrower or any of their respective Subsidiaries to any Person to the extent secured by a Lien (other than a Permitted Lien) on, or trust over, any of the Collateral, which Lien or trust, in the Permitted Discretion of Agent likely would have a priority superior to the Agent's Liens (such as Liens or trusts in favor of landlords, warehousemen, carriers, mechanics, materialmen, laborers, or suppliers, or Liens or trusts for *ad valorem*, excise, sales, or other taxes where given priority under applicable law) in and to such item of the Collateral, (C) the results of Recurring Revenue appraisals (using a methodology consistent with the methodology used by the Agent with respect to credit facilities agented by Agent that appraise Recurring Revenue) to the extent the net orderly liquidation value of such appraisals does not exceed the sum of the Maximum Revolver Amount, (D) any change in the manner in which Borrower recognizes revenue or any change by Borrower in its billing practices and (E) any potential offsets or disputes with customers or other matters which Agent, in its Permitted Discretion, determines could reasonably be expected to impair collections by Borrower of Recurring Revenues, (ii) after the occurrence and during the continuance of an Event of Default, with respect to such other matters, as Agent in its Permitted Discretion shall deem necessary or appropriate, and (iii) with respect to the outstanding balance of the Subordinated B Debt (as defined in the UK Intercompany Subordination Agreements) owed by UK Foreign Subsidiary to Holdings and its Domestic Subsidiaries. The amount of any reserve established by Agent shall bear a reasonable relationship to the events which is the basis for such reserve.

(b) A new Section 5.18 is hereby added to the Credit Agreement as follows:

5.18 **Treatment of Intercompany Loans re UK Foreign Subsidiary.** With respect to any and all payments by UK Foreign Subsidiary to Borrower in respect of intercompany loans or intercompany receivables, make and record such payments as payments in respect of intercompany loans or intercompany receivables other than Subordinated B Debt (as defined in the UK Intercompany Subordination Agreements), whether or not such payments are so identified.

(c) Clause (e) of Section 6.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

(e) UK Indebtedness (including the UK Guaranty) and Indebtedness with respect to the UK Deed of Guarantee in the form of hedging obligations solely for interest rate hedging of the UK Indebtedness,

(d) Clause (n) of Section 6.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

(n) unsecured Indebtedness of the Subsidiaries of Holdings (other than UK Foreign Subsidiary) up to \$25,000,000 in the aggregate for all such

Subsidiaries incurred solely for the purpose of foreign data center expansion including, but not limited to, the acquisition or build-out of required leasehold improvements.

(e) Clause (b) of Section 7.2 of the Credit Agreement is hereby amended by inserting the phrase “5.18” immediately following the reference to “5.11” therein.

(f) The following new defined terms are hereby added to Schedule 1.1 of the Credit Agreement in their appropriate alphabetical order:

“Twelfth Amendment Effective Date” means October 31, 2008.

“UK Deed of Guarantee” means that certain Deed of Guarantee, Priority and Acknowledgement dated as of the Twelfth Amendment Effective Date by and among Lombard North Central Plc, National Westminster Bank, Plc, UK Foreign Subsidiary, Holdings and Borrower as in effect on the Twelfth Amendment Effective Date.

“UK Intercompany Subordination Agreements” means (i) that certain Deed of Subordination and Postponement among NatWest, Borrower and UK Foreign Subsidiary and (ii) that certain Deed of Subordination and Postponement dated June 27, 2008 by and among Lombard North Central Plc, UK Foreign Subsidiary and Borrower, in each case as in effect on the Twelfth Amendment Effective Date.

(g) The following defined terms are hereby amended and restated in their entirety as follows:

“Intercreditor Agreement” means that certain Amended and Restated Intercreditor Agreement dated as of the Twelfth Amendment Effective Date by and among Lombard North Central Plc, National Westminster Bank, Plc, the Agent, Holdings, Borrower and UK Foreign Subsidiary as in effect on the Twelfth Amendment Effective Date.

“UK Indebtedness” means the Indebtedness in a principal amount not to exceed £35,000,000 at any time outstanding of UK Foreign Subsidiary pursuant to the UK Loan Agreement.

“UK Loan Agreement” means that certain Facility Agreement dated as of the Ninth Amendment Effective Date by and among UK Foreign Subsidiary, Holdings and Lombard North Central Plc as in effect on the Ninth Amendment Effective Date.

“UK Guaranty” means the unsecured guarantee obligations of Holdings set forth in Section 7 of the UK Loan Agreement and Section 3 of the UK Deed of Guarantee.

(h) The definition of “Permitted Liens” set forth in Schedule 1.1 to the Credit Agreement is hereby amended by amending and restating clause (n) therein as follows:

(n) Liens securing the UK Indebtedness and the obligations owing under Hedge Agreements for interest rate hedging of the UK Indebtedness so long as any such Lien attaches only to the Security Assets (as such term is defined in the UK Loan Agreement) and subject is to the Intercreditor Agreement.

2. Conditions to Effectiveness. The effectiveness of this Amendment is subject to the following conditions precedent (unless specifically waived in writing by Agent), each to be in form and substance satisfactory to Agent:

(a) Agent shall have received a fully executed copy of this Amendment, together with the Consent and Reaffirmation attached hereto;

(b) Borrower shall have delivered to Agent executed documentation evidencing the UK Hedging Transaction, including, without limitation, the UK Deed of Guarantee;

(c) Borrower shall have delivered to Agent a fully executed copy of an amendment to the Deed of Subordination and Postponement dated June 27, 2008 by and among Lombard North Central Plc, UK Foreign Subsidiary and Borrower;

(d) Borrower shall have delivered to Agent such other documents, agreements and instruments as may be requested or required by Agent in connection with this Amendment, each in form and content acceptable to Agent;

(e) All proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be reasonably satisfactory to Agent and its legal counsel; and

(f) No Default or Event of Default shall have occurred and be continuing.

3. Miscellaneous.

(a) Warranties and Absence of Defaults. In order to induce Agent to enter into this Amendment, each of Borrower and Holdings hereby warrants to Agent, as of the date hereof, that the representations and warranties of Borrower and Holdings contained in the Credit Agreement are true and correct as of the date hereof as if made on the date hereof (other than those which, by their terms, specifically are made as of certain dates prior to the date hereof).

(b) Expenses. Each of Borrower and Holdings, jointly and severally, agree to pay on demand all costs and expenses of Agent in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided herein shall survive any termination of the Credit Agreement as amended hereby.

(c) Governing Law. This Amendment shall be a contract made under and governed by the internal laws of the State of New York.

(d)Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment.

4.Release.

(a) In consideration of the agreements of Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of Borrower and Holdings, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the “Releasees” and individually as a “Releasee”), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a “Claim” and collectively, “Claims”) of every name and nature, either known or suspected, both at law and in equity, which Borrower or Holdings or any of their successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, including, without limitation, for or on account of, or in relation to, or in any way in connection with any of the Credit Agreement, or any of the other Loan Documents or transactions thereunder or related thereto.

(b) Each of Borrower and Holdings understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal and delivered by their respective duly authorized officers on the date first written above.

SAVVIS COMMUNICATIONS CORPORATION,
a Missouri corporation, as Borrower

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

SAVVIS, INC.,
a Delaware corporation, as Holdings

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

WELLS FARGO FOOTHILL, INC.,
a California corporation, as Agent and as a Lender

By: /s/ Nichol Stuart
Title: Vice President

OHSF FINANCING, LTD., as a Lender

By /s/ Scott D. Krase
Title Authorized Signatory

OHSF II FINANCING, LTD., as a Lender

By /s/ Scott D. Krase
Title Authorized Signatory

OAK HILL CREDIT OPPORTUNITIES FINANCING, LTD., as a Lender

By /s/ Scott D. Krase
Title Authorized Signatory

OAK HILL CREDIT ALPHA FINANCE I, LLC, as a Lender

By: Oak Hill Credit Alpha Fund, L.P., its Member

By: Oak Hill Credit Alpha Gen Par, L.P., its
General Partner

By: Oak Hill Credit Alpha MGP, LLC, its General
Partner

By /s/ Scott D. Krase
Title Authorized Signatory

OAK HILL CREDIT ALPHA FINANCE I (OFFSHORE), LTD., as a Lender

By /s/ Scott D. Krase
Title Authorized Signatory

**FIRST BANK BUSINESS CAPITAL, INC. f/k/a FB
COMMERCIAL FINANCE, INC., as a Lender**

By	<u>/s/ Greg Nuiitt</u>
Title	Vice President

CONSENT AND REAFFIRMATION

Each of the undersigned hereby (i) acknowledges receipt of a copy of the foregoing Amendment No. 12 to Credit Agreement (the "Amendment"); (ii) consents to Borrower's execution and delivery of the Amendment; (iii) agrees to be bound by the Amendment; and (iv) reaffirms that the Loan Documents to which it is a party (and its obligations thereunder) shall continue to remain in full force and effect. Although each of the undersigned has been informed of the matters set forth herein and have acknowledged and agreed to same, each of the undersigned understands that Agent and Lenders have no obligation to inform any of the undersigned of such matters in the future or to seek any of the undersigned's acknowledgment or agreement to future amendments, waivers or consents, and nothing herein shall create such a duty.

IN WITNESS WHEREOF, each of the undersigned has executed this Consent and Reaffirmation on and as of the date of the Amendment.

SAVVIS, INC., a Delaware corporation

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

SAVVIS COMMUNICATIONS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

SAVVIS FEDERAL SYSTEMS, INC., a Delaware
corporation

By: /s/ Jeffrey H. VonDeylen
Title: Chief Financial Officer

DATED 31 OCTOBER 2008

LOMBARD NORTH CENTRAL PLC
as Lender

SAVVIS UK Limited
as Borrower

SAVVIS, INC.
as Guarantor

SAVVIS COMMUNICATIONS CORPORATION
as Subordinated Lender

NATIONAL WESTMINSTER BANK PLC
as Hedge Counterparty

DEED OF GUARANTEE, PRIORITY AND ACKNOWLEDGEMENT

*berwin leighton paisner
Berwin Leighton Paisner LLP
Adelaide House London Bridge London EC4R 9HA
tel +44 (0)20 7760 1000 fax +44 (0)20 7760 1111

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DATED

PARTIES

- (1) **LOMBARD NORTH CENTRAL PLC**, a company incorporated under the laws of England and Wales with registered number 00337004 and having its registered office at 3 Princess Way, Redhill, Surrey RH1 1NP (the “**Lender**”)
- (2) **SAVVIS UK Limited**, a company incorporated under the laws of England and Wales with registered number 03816299, and having its registered office at Eskdale Road, Winnersh Triangle, Wokingham, Berkshire RG41 5TS (the “**Borrower**”)
- (3) **SAVVIS, INC.**, a Delaware corporation (“**SAVVIS, Inc**”)
- (4) **SAVVIS COMMUNICATIONS CORPORATION**, a Missouri corporation (“**SAVVIS Communications**”)
- (5) **NATIONAL WESTMINSTER BANK PLC**, a company incorporated in England and Wales with registered number 009 29027 whose registered office is at 135 Bishopsgate, London EC2M 3UR (“**Natwest**”)

BACKGROUND

- (A) The Lender and the Borrower entered into a term loan facility dated 27 June 2008 (the “**Facility Agreement**”) pursuant to which the Borrower was granted the right, from time to time, to require the Lender to enter into interest rate swap arrangements in order to enable the Borrower to make fixed-rate interest payments in respect of the amount advanced under the Facility Agreement.
- (B) By a letter dated 5th September 2008 (the “**Swap Letter**”) the Lender, the Borrower and Natwest agreed that, notwithstanding the terms of the Facility Agreement, the Borrower and Natwest would enter into an interest rate swap arrangement for the rate, period and profile set out therein.
- (C) In consideration of Natwest agreeing to enter into the ISDA Swap Agreement with the Borrower, and as security for the obligations of the Borrower thereunder: (i) the Borrower and SAVVIS, Inc have agreed to execute a security document in favour of Natwest, substantially in the form of the Lombard Asset Security Agreement (as defined below); (ii) SAVVIS Communications has agreed with Natwest to postpone repayment of certain of its intercompany loans to the Borrower on terms substantially in the form set out in Deed of Subordination and Postponement (as defined below); and (iii) SAVVIS, Inc has agreed to provide a guarantee to Natwest substantially in the terms of the guarantee set out in the Facility Agreement.
- (D) The Lender and Natwest have agreed that, as between them, the priority of their claims in and to the security granted to each of them by the Borrower and SAVVIS, Inc. shall be as set out in this Deed.

OPERATIVE PROVISIONS

1 DEFINITIONS

“**Deed of Subordination and Postponement**” means an agreement dated 27 June 2008 and made between the Lender, the Borrower and SAVVIS

Communications pursuant to which SAVVIS Communications agreed to subordinate certain inter-company loans made by it to the Borrower.

“**Group**” has the meaning given to it in the Facility Agreement.

“**Intercreditor Agreement**” means an agreement dated 27 June 2008, as amended on or about the date hereof between (1) Lender; (2) NatWest; (3) Wells Fargo Foothill Inc. (as agent) for all Senior Lenders and all Bank Product Providers (each as defined therein); and acknowledged by (1) SAVVIS Communications Corporation; (2) Guarantor; (3) SAVVIS Communications International, Inc.; (4) SAVVIS Federal Systems Inc.; and (5) SAVVIS UK to regulate, inter alia, their relevant security interests (as amended by an agreement between all of the parties thereto, together with Natwest, on or about the date of this Deed).

“**ISDA Swap Agreement**” means the 1992 ISDA Master Agreement dated as of 4 September 2008 and entered into between Natwest and the Borrower together with all Transactions (as defined therein) entered into between Natwest and the Borrower from time to time and whether before or after the date of this Deed.

“**Lombard Asset Security Agreement**” means an asset security agreement dated 27 June 2008 and entered into between the Lender, the Borrower and SAVVIS, Inc. in connection with the Facility Agreement.

“**Natwest Asset Security Agreement**” means an asset security agreement dated on or about the date of this Deed and entered into between Natwest, the Borrower and SAVVIS, Inc. in connection with the ISDA Swap Agreement.

“**NatWest Deed of Subordination and Postponement**” means an agreement dated on or about the date hereof and made between NatWest, the Borrower and SAVVIS Communications pursuant to which SAVVIS Communications agreed to subordinate certain inter-company loans made by it to the Borrower.

“**RBS Party**” means either of Lombard or Natwest (as appropriate) and “**RBS Parties**” shall mean both of them.

“**Receiver**” has the meaning given to it in the Lombard Asset Security Agreement;

“**Securities**” means the Lombard Asset Security Agreement and the Natwest Asset Security Agreement, the Deed of Subordination and Postponement and the Natwest Deed of Subordination and Postponement, and “**Security**” shall mean any of them.

2 ACKNOWLEDGEMENTS CONCERNING FACILITY AGREEMENT

- 2.1 The Lender and the Borrower agree that the entry by the Borrower and Natwest into the ISDA Swap Agreement is in substitution for the right of the Borrower to make an election under clauses 9.4.2, 9.4.4, 9.4.5, 10.2 and 11.2 of the Facility Agreement for a period of three years from October 1, 2008.
- 2.2 For the avoidance of doubt, the Lender and the Borrower confirm that the rate of interest to be applied under Clause 9.1.2.2 of the Facility Agreement is fixed for a period of three years during the Commercial Loan Period and the Power Loan Period at three-month LIBOR commencing on October 1, 2008.
- 2.3 The terms of this Deed and the Swap Letter are without prejudice to the Borrower’s obligations under Clause 12 of the Facility Agreement.

-
- 2.4 The Borrower and Lender agree and confirm that the security constituted by the Natwest Asset Security Agreement shall be deemed to be a “Permitted Security Interest” under the terms of the Facility Agreement.
- 2.5 The parties hereto agree that, save for any hedging arrangements entered into in connection with the indebtedness of the Borrower to the Lender under the Facility Agreement, no other hedging arrangements between the Lender and the Borrower or Natwest and the Borrower shall be secured by the Natwest Security Agreement or the Lombard Asset Security Agreement.

3 GUARANTEE

3.1 Guarantee and indemnity

SAVVIS, Inc. irrevocably and unconditionally:

- 3.1.1 guarantees to Natwest the punctual performance by the Borrower of all the Borrower’s obligations under the ISDA Swap Agreement;
- 3.1.2 undertakes with Natwest that, whenever the Borrower does not pay any amount when due under or in connection with the ISDA Swap Agreement, SAVVIS, Inc. shall immediately on demand pay that amount as if it were the principal obligor; and
- 3.1.3 indemnifies Natwest immediately on demand against any cost, loss or liability suffered by Natwest, if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which Natwest would otherwise have been entitled to recover.

3.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Borrower under the ISDA Swap Agreement, regardless of any intermediate payment or discharge in whole or in part.

3.3 Reinstatement

If any payment by or any discharge given by Natwest (whether in respect of the obligations of the Borrower or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

- 3.3.1 the liability of the Borrower shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- 3.3.2 Natwest shall be entitled to recover the value or amount of that security or payment from the Borrower, as if the payment, discharge, avoidance or reduction had not occurred.

3.4 Waiver of defences

The obligations of SAVVIS, Inc. under this Clause 3 will not be affected by any act, omission, matter or thing which, but for this Clause 3, would reduce, release or prejudice any of its obligations under this Clause 3 (without limitation and whether or not known to it or Natwest) including:

- 3.4.1 any time, waiver or consent granted to, or composition with, the Borrower or other person;

3.4.2 the release of any other person under the terms of any composition or arrangement with any creditor of any member of the Group;

3.4.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Borrower or other person, or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

3.4.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Borrower or any other person;

3.4.5 any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of the ISDA Swap Agreement or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under the ISDA Swap Agreement or other document or security;

3.4.6 any unenforceability, illegality or invalidity of any obligation of any person under the ISDA Swap Agreement or any other document or security; or

3.4.7 any insolvency or similar proceedings.

3.5 Immediate recourse

SAVVIS, Inc. waives any right it may have of first requiring Natwest (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from SAVVIS, Inc. under this Clause 3. Subject to the terms of the Intercreditor Agreement, this waiver applies irrespective of any law or any provision of the ISDA Swap Agreement or the Natwest Security Agreement Document to the contrary.

3.6 Appropriations

Until all amounts which may be or become payable by the Borrower under or in connection with the ISDA Swap Agreement have been irrevocably paid in full, Natwest (or any trustee or agent on its behalf) may:

3.6.1 refrain from applying or enforcing any other moneys, security or rights held or received by Natwest (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and SAVVIS, Inc. shall not be entitled to the benefit of the same; and

3.6.2 hold in an interest-bearing suspense account any moneys received from SAVVIS, Inc. or on account of SAVVIS, Inc.'s liability under this Clause 3.

3.7 Deferral of SAVVIS, INC.'s rights

3.7.1 Until all amounts which may be or become payable by the Borrower under or in connection with the ISDA Swap Agreement have been irrevocably paid in full and unless Natwest otherwise directs, SAVVIS, Inc. will not exercise any rights which it

may have by reason of performance by it of its obligations under the ISDA Swap Agreement:

- (a) to be indemnified by the Borrower;
- (b) to claim any contribution from any other guarantor of the Borrower's obligations under the ISDA Swap Agreement; and/or
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of Natwest under the ISDA Swap Agreement or of any other guarantee or security taken pursuant to, or in connection with, the ISDA Swap Agreement by Natwest.

3.7.2 If SAVVIS, Inc. receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to Natwest by the Borrower under or in connection with the ISDA Swap Agreement to be repaid in full on trust for Natwest and shall promptly pay or transfer the same to Natwest for application in accordance with Clause 4.

3.7.3 Until all amounts which may be or become payable by the Borrower under or in connection with the ISDA Swap Agreement have been irrevocably paid in full or unless Natwest otherwise directs, SAVVIS, Inc. will not:

- (a) claim any amount which may be due to it from the Borrower in respect of a payment under this Clause 3;
- (b) take or enforce any security for any such amount or in any other way seek to have recourse in respect of any such amount against any of the Borrower's assets;
- (c) set-off such amount against any sum due from SAVVIS, Inc. to the Borrower; or
- (d) prove for such an amount against the Borrower or its assets upon the occurrence of any of the events set out in Clauses 30.10, 30.11 or 30.12 of the Facility Agreement.

3.8 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by Natwest.

4 PRIORITY AND CONSENT ARRANGEMENTS BETWEEN LENDER AND NATWEST

4.1 In respect of all receipts, recoveries, and realisations arising from the enforcement of the Securities or any part of them Lombard and Natwest shall rank pari passu and such payments shall be applied in the following order:

- (a) **first**, to the payment of any Receiver's remuneration and all outgoings, costs, charges, expenses, liabilities and payments ranking by statute for payment in priority to the amount secured by the Securities;
- (b) **second**, to each RBS Party a proportion of such remaining money or funds as the total outstanding obligations secured by the Securities held by such RBS Party bears to the total amount of outstanding obligations secured by

the Securities until all such secured obligations of such RBS Party has been paid in full; and

- (c) **third**, to the payment to the Borrower, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining.
- 4.2 Once all and any obligations or liabilities due to an RBS Party in respect of which a Security has been granted have been fully and irrevocably and absolutely discharged, then the other RBS Party shall have priority in all respects.
- 4.3 If either RBS Party shall receive any amount to which, pursuant to this Deed, it is not entitled (the “Receiving RBS Party”), then it shall pay that amount promptly to the other RBS Party for application to the payment of the outstanding obligations of such RBS Party remaining unpaid and each RBS Party shall hold such sums in trust to give effect to the provisions of this Deed. The Borrower, SAVVIS, Inc. and SAVVIS Communications each acknowledge that receipt by the Receiving RBS Party of an amount which it then pays to the other RBS Party pursuant to this Clause 4.4, shall not be treated by the Receiving RBS Party as an amount received by the Receiving RBS Party for the purposes of reducing the amount owed to it.
- 4.4 The Securities shall be continuing securities for repayment to the RBS Parties of the money and liabilities thereby secured and the priority arrangements herein contained shall not be affected by any fluctuations in the amount from time to time due owing or incurred by the Borrower, SAVVIS, Inc. or SAVVIS Communications to either of the RBS Parties or by the existence at any time of a credit or nil balance on any relevant account of the Borrower, SAVVIS, Inc. or SAVVIS Communications with either of the RBS Parties.
- 4.5 The RBS Parties shall consult and co-operate with each other to the intent (without any requirement) that:
- 4.5.1 the Securities shall so far as practicable be enforced by the same method and at the same time;
- 4.5.2 in the case of an appointment of a Receiver or Receivers by either RBS Party under its Security, the same person(s) shall (unless there is a conflict of interest) be appointed Receiver(s) by the other RBS Party (if that other RBS Party shall also make such an appointment).
- 4.6 If either RBS Party shall appoint a Receiver under its Security or make an application for the appointment of an administrator, or shall otherwise enforce or exercise its Security it shall promptly give written notice thereof to the other RBS Party.
- 4.7 If either Party shall have any books or records of SAVVIS UK Limited, SAVVIS, Inc. or SAVVIS Communications in its possession, it will provide such access to those books or records as may reasonably be required by any Receiver appointed by the other RBS Party.

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- 4.8 If the Borrower, the Guarantor or SAVVIS Communications is or are required to obtain the consent of either of the RBS Parties under the Facility Agreement, the Securities or any document entered into in connection therewith (other than the ISDA Swap Agreement), the RBS Parties agree that the consent of the Lender to such act or thing shall be deemed to be consent of both of the RBS Parties and none of the Borrower, the Guarantor nor SAVVIS Communications need make any further enquiry of Natwest in connection with such act or thing.
- 4.9 The Lender agrees with Natwest that, prior to giving its consent as set out in Clause 4.8 above, it will where it reasonably believes that the giving of such consent may have any adverse impact upon the security granted to Natwest under the Securities or as set out in this Deed, consult with Natwest and comply with all reasonable instructions given by Natwest in connection therewith and the Lender will, in any event, notify Natwest of any consent given by the Lender under Clause 4.8.

5 Miscellaneous

- 5.1 Clauses 35 to 44 (inclusive) of the Facility Agreement shall be deemed to be incorporated in this Deed as if set out in full herein, save that all references to :

5.1.1 the address, fax number and telex number (and the department or officer, if any, for whose attention the communication is to be made) of Natwest for any communication or document to be made or delivered under or in connection with the Finance Documents is 280 Bishopsgate, London EC2M 3RD, Fax No: 020 7085 5050, Attn: Swaps Administration or any substitute address, fax number, telex number or department or officer as the party may notify to the other party by not less than five business days' notice;

5.1.2 the term "Lender" shall be deemed to be references to both Natwest and the Lender (or either of them, as the context may require);

5.1.3 the term "Finance Documents" shall be deemed to include a reference to this Deed, the Natwest Intercompany Subordination Agreement and the ISDA Swap Agreement; and

5.1.4 the "Agreement" shall be deemed to refer to this Deed.

IN WITNESS WHEREOF the parties have executed this DEED on the date set out above.

EXECUTION PAGE

Executed as a Deed and Delivered by
LOMBARD NORTH CENTRAL PLC
acting by
and by

Director
Director/Secretary

)
)
)
)
)

/s/ Authorized Signatory
Director

Director/Secretary

Executed as a Deed and Delivered by
NATIONAL WESTMINSTER BANK PLC
acting by

)
)
)
)
)

/s/ Geraint Rogers
Authorised Signatory

Executed as a Deed and Delivered by
SAVVIS UK LIMITED
acting by
and by

Director
Director/Secretary

)
)
)
)
)

/s/ Jeffrey H. VonDeylen
Director

/s/ Gene DeFelice
Director/Secretary

Executed as a Deed
by **SAVVIS, INC.**
a company incorporated in the State of Delaware
acting by _____ and _____
being persons who in
accordance with the laws that territory are acting
under the authority of the company

/s/ Jeffrey H. VonDeylen
Authorised Signatory

/s/ Meredith M. Graham
Authorised Signatory

/s/ Jeffrey H. VonDeylen
 Authorised Signatory

/s/ Meredith M. Graham
Authorised Signatory

*berwin leighton paisner

Berwin Leighton Paisner LLP
Adelaide House London Bridge London EC4R 9HA
tel +44 (0)20 7760 1000 fax +44 (0)20 7760 1111

THIS DEED is dated

31 October 2008

BETWEEN

- (1) **SAVVIS UK LIMITED**, a private limited company incorporated under the laws of England and Wales with registered number 03816299 whose registered office is at Eskdale Road, Winnersh Triangle, Wokingham, Berkshire RG41 5TS (“**SAVVIS UK**”);
- (2) **SAVVIS, INC.** a Delaware Corporation (“**Guarantor**”); and
- (3) **NATIONAL WESTMINSTER BANK PLC**, a company incorporated under the laws of England and Wales with registered number 00929027 and having its registered office at 135 Bishopsgate, London EC2M 3UR (“**NatWest**”).

RECITALS

- (A) NatWest entered into interest rate hedge agreements with SAVVIS UK dated [•] (the “Hedge Agreements”) in connection with a Facility Agreement dated June 27, 2008, by and among SAVVIS UK, Guarantor and Lombard North Central Plc (the “Facility Agreement”).
- (B) In consideration of NatWest agreeing to enter into the Hedge Agreements Guarantor has agreed to guarantee the obligations of SAVVIS UK under the Hedge Agreements as set out in the All-Parties Agreement (as defined below).
- (C) SAVVIS UK and Guarantor enter into this Deed as security for their obligations under the Hedge Agreements and the All-Parties Agreement.
- (D) SAVVIS UK and Guarantor have agreed to enter into this Deed on the terms set out below.

OPERATIVE PROVISIONS

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed, the following words and expressions have the following meanings:

“**Act**” means the Law of Property Act 1925;

“**All-Parties Agreement**” means the Deed of Guarantee, Priority and Acknowledgement dated on or about the date hereof between Lender, NatWest, SAVVIS UK and Guarantor.

“**Class A Data Centre Assets**” means all those assets listed in Schedule 3 referred to as the Class A Assets and all other assets from time to time acquired by SAVVIS UK after the date hereof pursuant to the terms of the Construction Contracts and all replacements and substitutions thereto from time to time;

“**Class B Data Centre Assets**” means those assets listed in Schedule 3 referred to as the Class B Assets and all replacements and substitutions thereto from time to time;

“Construction Contracts” means all those contracts or documents from time to time entered into by or granted to, inter alia, SAVVIS UK in connection with and necessary for the structure, construction, design, installation, commissioning and fit out of the Slough Data Centre including without limitation, professional team appointments, construction contracts, guarantees, performance bonds, collateral warranties and bonds

“Data Centre Assets” means all of the Class A Data Centre Assets and the Class B Data Centre Assets;

“Data Centres” means the Docklands Data Centre, the Slough Data Centre and the Winnersh Data Centre;

“Deed of Subordination and Postponement” means an agreement dated on or about the date hereof between NatWest, SAVVIS UK and Savvis Communications Corporation;

“Default Rate” has the meaning defined to it in the Hedge Agreements;

“Docklands Data Centre” means SAVVIS UK’s Data Centre at Greenwich View Place, Millharbour, London;

“Finance Documents” means:

- (a) the Hedge Agreements;
- (b) this Agreement;
- (c) the All-Parties Agreement;
- (d) the Deed of Subordination and Postponement; and
- (e) each and every other document designated as such by NatWest and SAVVIS UK.

“Hedge Agreement” means the 1992 ISDA Master Agreement dated as of 4 September 2008, and entered into between NatWest and SAVVIS UK together with all Transactions (as defined therein) entered into between NatWest and SAVVIS UK from time to time and whether before or after the date of this Agreement;

“IA86” means the Insolvency Act 1986;

“Insurances” means (a) all those policies and contracts of insurance that insure the Data Centre Assets, or which are now or may at any time be taken out or enforced in respect of the Data Centre Assets; and (b) all rights and other assets derived from any such policies or contracts, including any right to a return of premium which, as at the date hereof, are more particularly set out in Schedule 1 hereto and, for the avoidance of doubt and for the purposes of this Deed shall not include any third party liability insurance or product liability insurance maintained by SAVVIS UK or Guarantor or any proceeds arising therefrom;

“Intercreditor Agreement” means an agreement dated June 27, 2008, as amended on or about the date hereof between (1) Lender; (2) NatWest; (3) Wells Fargo Foothill Inc. (as agent) for all Senior Lenders and all Bank Product Providers (each as defined therein); and acknowledged by (1) SAVVIS Communications Corporation; (2) Guarantor; (3) SAVVIS Communications International, Inc.; (4)

SAVVIS Federal Systems Inc.; and (5) SAVVIS UK to regulate, inter alia, their relevant security interests.

“**Land**” means the leasehold premises on which the Data Centres are situated;

“**Location**” means, in respect of the Class A Data Centre Assets, the relevant location specified next to such Class A Data Centre Asset in Schedule 3;

“**Lender**” means Lombard North Central Plc, a company incorporated under the laws of England and Wales with registered number 00337004 and having its registered office at 3 Princess Way, Redhill RH1 1NP, and the lender under the Facility Agreement.

“**Notice of Assignment**” means a notice of assignment in substantially the form set out in Schedule 2 (*Form of Notice of Assignment*) or in such other form as may be specified by NatWest;

“**Permitted Security Interests**” means:

- (a) Security Interests created by the Finance Documents;
- (b) Security Interests in favour of Lender created under or pursuant to the terms of the Facility Agreement;
- (c) Security Interests in favour of Wells Fargo Foothill, Inc. (as lender and as agent as set out in and as defined in the Wells Fargo Facility), and its successors and assigns, including any lender which refinances or refunds the Wells Fargo Facility and which are subject to the Intercreditor Agreement;
- (d) any netting or set-off arrangement entered into by SAVVIS UK in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of SAVVIS UK but only so long as such arrangement is not established with the primary intention of preferring any lenders;
- (e) any Security arising under any finance lease retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to SAVVIS UK in the ordinary course of business and, unless disputed in good faith, not arising as a result of any default or omission by SAVVIS UK that is continuing for a period of more than 60 days;
- (f) any Security over any rental deposits in respect of any property leased or licensed by SAVVIS UK in respect of amounts representing not more than 12 months’ rent for that property;
- (g) any Security over documents of title and goods as part of a documentary credit transaction;
- (h) any lien arising by operation of law or otherwise in the ordinary course of business or the construction, operation, repair or maintenance of the Data Centres, provided such liens do not secure amounts more than 60 days overdue (unless the overdue amount is being contested by SAVVIS UK in good faith by appropriate steps or unless SAVVIS UK obtains written consent of such overdue lien);

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- (i) any Security Interest created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses where SAVVIS UK is actively prosecuting or defending such proceedings or arbitration in good faith; or
 - (j) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or which are being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made,

and, save as set out in (a), (b), (c), (h) and (j) above, is not in respect of any of the Security Assets.

“Receiver” means any one or more persons appointed as a receiver in accordance with the provisions of this Deed or the Act and includes a receiver and manager and any similar or analogous person or persons as may be appointed pursuant to any insolvency legislation relevant to SAVVIS UK or Guarantor in any jurisdiction;

“Second Lien” means all rights and interests held by any Senior Lender (as such term is defined in the Intercreditor Agreement) in and to certain of the Insurances as subordinated to the rights of NatWest pursuant to the Intercreditor Agreement;

“Secured Liabilities” means all monies, obligations and liabilities covenanted to be paid or discharged by SAVVIS UK or Guarantor pursuant to the Finance Documents;

“Security” means the security from time to time constituted by, or pursuant to, this Deed;

“Security Assets” means the Data Centre Assets and the Insurances;

“Security Interest” means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security;

“Security Period” means the period beginning on the date of this Agreement and ending on the date on which NatWest is satisfied that all obligations of SAVVIS UK under all Hedge Agreements have been unconditionally and irrevocably paid and discharged in full;

“Slough Data Centre” means SAVVIS UK’s Data Centre situated at 630 Ajax Road, Slough, which at the date of this Deed, is under construction;

“Tax” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“Unpaid Sum” means any sum stated to be payable but unpaid by SAVVIS UK or Guarantor under the Finance Documents.

“Winnersh Data Centre” means SAVVIS UK’s Data Centre at Eskdale Road, Winnersh Triangle, Wokingham, Berkshire RG41 5TS.

1.2 *Incorporation of the defined terms of the Hedge Agreements*

Words and expressions defined or construed in the Hedge Agreements shall, unless otherwise defined herein, have, when used in this Deed, the same meanings in this Deed as in the Hedge Agreements.

1.3 *Construction*

1.3.1 Unless a contrary indication appears, any reference in this Agreement to:

1.3.1.1 “**NatWest**”, “**SAVVIS UK**”, the “**Guarantor**”, “**Lender**”, “**SAVVIS Communications Corporation**” or any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;

1.3.1.2 “**assets**” includes present and future properties, revenues and rights of every description;

1.3.1.3 “**contingent liability**” means a liability which is not certain to arise and/or the amount of which remains unascertained;

1.3.1.4 “**document**” includes a deed and also a letter, fax or telex;

1.3.1.5 “**expense**” means any kind of cost, charge or expense (including all legal costs, charges and expenses) and any applicable Tax including VAT;

1.3.1.6a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;

1.3.1.7 “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

1.3.1.8 “**law**” includes any order or decree, any form of delegated legislation, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council.

1.3.1.9 “**proceedings**” means, in relation to any enforcement provision of a Finance Document, proceedings of any kind, including an application for a provisional or protective measure;

1.3.1.10a “**person**” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;

1.3.1.11a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

1.3.1.12a provision of law is a reference to that provision as amended or re-enacted;

1.3.1.13a time of day is a reference to London time;

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- 1.3.1.14 any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of a jurisdiction other than England, be deemed to include that which most nearly approximates in that jurisdiction to the English legal term;
- 1.3.1.15 any defined term or noun in the plural number or collective plural or in the singular number shall be interpreted with such changes as may be necessary to include the singular or the plural number or collective plural and to each and every part of such plural number or collective plural; and
- 1.3.1.16 “**including**” and “**in particular**” (and other cognate references) shall be construed as not limiting any general words or expressions in connection with which they are used.
- 1.3.2 Section, Clause and Schedule headings are for ease of reference only.
- 1.3.3 Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- 1.3.4 An Event of Default is “**continuing**” if it has not been waived or remedied.
- 1.3.5 References in this Deed to this “**Deed**” or any other deed, agreement or instrument are references to this Deed, the relevant deed, agreement or instrument as amended, supplemented, replaced or novated from time to time and include references to any document which amends, supplements, replaces, novates or is entered into, made or given pursuant to, or in accordance with, this Deed, the relevant deed, agreement or instrument.
- 1.3.6 Subject to Clause 12.2 (*Powers of Receiver*), references in this Deed to any regulation, statute or statutory provision are to be construed as references to the same as it may have been, or may from time to time be, amended or re-enacted, and include references to all bylaws, instruments, orders and regulations for the time being made thereunder or deriving validity therefrom.
- 1.4 *Law of Property (Miscellaneous Provisions) Act 1989*
- The terms of the Finance Documents and of any side letters between the parties thereto in relation to them are incorporated in this Deed to the extent required to ensure that any disposition of the Security Assets contained in this Deed is a valid disposition in accordance with section 2(1) of the Law of Property (Miscellaneous Provisions) Act 1989.
- 1.5 *Obligations*
- Any obligation of SAVVIS UK or Guarantor under this Deed to do something shall include an obligation to procure that it be done and any obligation not to do something shall include an obligation not to permit, suffer or allow it to be done.

1.6 *Deed*

It is intended by the parties hereto that this document shall take effect as a deed, notwithstanding the fact that NatWest may only execute this document under hand.

1.7 *Contracts (Rights of Third Parties) Act 1999*

Unless expressly provided for, a person who is not a party to this Deed has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any of the terms of this Deed.

1.8 *Irrevocable payment*

If NatWest considers that an amount paid or discharged by, or on behalf of SAVVIS UK or Guarantor by any other person in purported payment or discharge of an obligation of SAVVIS UK or Guarantor to NatWest under the Finance Documents is capable of being avoided or otherwise set aside on the liquidation or administration (or any analogous proceeding relevant to SAVVIS UK or Guarantor) of either SAVVIS UK or Guarantor or otherwise, then that amount shall be considered not to have been unconditionally and irrevocably paid or discharged for the purposes of the Finance Documents.

1.9 *NatWest and Receiver's discretion*

Any liberty or power which may be exercised or any determination which may be made under this Deed by NatWest or any Receiver may be exercised or made in its absolute and unfettered discretion without any obligation to give reasons therefor.

1.10 *All-Parties Agreement*

Unless a contrary indication appears, the rights of NatWest under this Deed are subject to the terms of the All-Parties Agreement.

2 COVENANT TO PAY

2.1 *Covenant to pay*

- 2.1.1 SAVVIS UK covenants with NatWest that it shall, on demand, pay and discharge the Secured Liabilities or it shall on demand procure that the Secured Liabilities are paid and discharged when they are respectively due, in the manner provided in the relevant Finance Document.

2.2 *Place*

SAVVIS UK shall procure that all payments by SAVVIS UK or Guarantor under or in respect of this Deed shall be made to NatWest and to its account at such office or bank as NatWest may notify to SAVVIS UK from time to time for this purpose.

2.3 *Funds*

SAVVIS UK shall procure that payments by SAVVIS UK or Guarantor under or in respect of this Deed to NatWest shall be made for value on the due date at such times and in such funds as NatWest may specify to SAVVIS UK or Guarantor (as

applicable) as being customary at the time for the settlement of transactions of this nature in the relevant currency in the place of such payment.

2.4 *Set-off and counterclaim*

Except as set forth in the Hedge Agreements, SAVVIS UK shall procure that all payments due from or made by SAVVIS UK or Guarantor under or in respect of this Deed shall be made without set-off or counterclaim.

2.5 *Non-Business Days*

If a payment under this Deed is due on a day which is not a Business Day, the due date for that payment shall instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

2.6 *Interest on Unpaid Sums*

If either SAVVIS UK or Guarantor fails to pay any sum demanded of it under or in respect of this Deed, SAVVIS UK shall pay an amount equal to interest on such Unpaid Sum (as well after as before judgment) at the Default Rate from the due date until the date on which the Unpaid Sum is unconditionally and irrevocably paid or discharged in full to NatWest.

2.7 *Time for payment of interest on Unpaid Sums*

SAVVIS UK shall pay interest on an Unpaid Sum on demand.

2.8 *Currency*

Amounts payable in respect of costs, expenses, Taxes and the like, and any amount payable under this Deed, are payable in the Contractual Currency (as such term is defined in the Hedge Agreements).

3 **FIXED SECURITY**

3.1 *Grant of fixed security*

3.1.1 SAVVIS UK with full title guarantee, as security for the payment of all Secured Liabilities:

3.1.1.1 charges by way of a first fixed charge in favour of NatWest all of its rights, title and interest in and to the Class A Data Centre Assets owned by SAVVIS UK at the date of this Deed;

3.1.1.2 charges by way of a first fixed charge in favour of NatWest all of its rights, title and interest in and to the Class B Data Centre Assets owned by SAVVIS UK at the date of this Deed; and

3.1.1.3 charges by way of first fixed charge all replacements and substitutes for the Data Centre Assets that may be acquired by SAVVIS UK after the date of this Deed and all Data Centre Assets that may be acquired by SAVVIS UK after the Date of this Deed in connection with the construction, design, installation, commissioning and fit out of the Slough Data Centre under the Construction Contracts.

3.1.2 Each of SAVVIS UK and Guarantor, with full title guarantee, as security for the payment of all Secured Liabilities, assigns by way of security to NatWest by way of first ranking absolute assignment (in each case, subject to the proviso contained in Clause 3.2 (Proviso for reassignment)) all its right, title, benefit and interest in and to all proceeds of the Insurances to the extent that such proceeds arise in connection with a loss, destruction or damage to the Data Centre Assets and all rights of SAVVIS UK or Guarantor to enforce payment of the proceeds with respect to a loss, destruction or damage of the Data Centre Assets.

3.1.3 The parties hereto agree that each Security Interest created by this Deed shall take effect as separate and independent first ranking fixed Security Interest.

3.2 *Proviso for reassignment*

The assignment by SAVVIS UK and Guarantor in Clause 3.1.2 is subject to the proviso that, following the end of the Security Period, NatWest shall reassign to SAVVIS UK or Guarantor (as applicable) or other person entitled thereto (without recourse or warranty and at Guarantor's expense), the subject-matter of that assignment or, as the case may be, the balance thereof.

4 **DECLARATION OF TRUST**

4.1 If, notwithstanding the provisions of Clause 3.1, any choses in action to which either SAVVIS UK or Guarantor is entitled, are incapable of being, or for any reason are not effectively, charged or assigned to NatWest in accordance with the terms of this Deed:

4.1.1 each of SAVVIS UK and Guarantor declares that it holds and shall hold all its right, title and interest in and to the choses in action to which it is entitled on trust for NatWest in accordance with the provisions of this Deed as if the same were effectively mortgaged or charged;

4.1.2 SAVVIS UK shall use all reasonable endeavours promptly to bring about an effective assignment or charge of the choses in action in favour of NatWest; and

4.1.3 for the avoidance of doubt, such choses in action shall nevertheless constitute Security Assets.

5 **GENERAL UNDERTAKINGS**

5.1 *Duration*

The undertakings in this Clause 5 to Clause 7 inclusive are given in favour of NatWest and shall remain in force throughout the Security Period.

5.2 *Nature of Security*

5.2.1 SAVVIS UK represents to NatWest that this Deed creates those Security Interests it purports to create, with the ranking set out in this Deed, and is not liable to be amended or otherwise set aside on the liquidation or administration of SAVVIS UK or any similar or analogous procedure relating to either SAVVIS UK or Guarantor in any relevant jurisdiction or otherwise.

5.2.2 SAVVIS UK represents to NatWest that neither it nor Guarantor has created or purported to create, nor will it or Guarantor create during the Security Period, any floating charge(s) over any of the Security Assets, save for the Second Lien.

5.3 *Dealing with Security Assets*

Save for the Second Lien, and except as expressly permitted by Clause 7 hereto, and, subject to Clause 5.5 (*Notices received relating to Security Assets*), SAVVIS UK shall not and SAVVIS UK shall procure that Guarantor shall not, without the prior written consent of Lender acting on behalf of NatWest in accordance with the terms of the All-Parties Agreement either:

5.3.1 sell, transfer, grant any lease or licence in relation to, enter into any agreement for the sale, transfer of, grant of lease or licence relating to, or otherwise dispose of, the Security Assets;

5.3.2 part with possession of the Security Assets; or

5.3.3 enter into any option agreement or arrangement having a similar effect to any of the actions referred to above in this Clause 5.3.

5.4 *No Security Interest over Security Assets*

SAVVIS UK shall not and SAVVIS UK shall procure that Guarantor shall not create or allow to submit any Security Interest on or over the Security Assets, save for any Permitted Security Interest and the Second Lien.

5.5 *Notices received relating to Security Assets*

SAVVIS UK shall and SAVVIS UK shall procure that Guarantor shall, as soon as reasonably practicable following receipt, give to NatWest a copy of any notice, order, direction, requisition, permission, proposal or other matter (a “**Direction**”) received by SAVVIS UK or Guarantor affecting or likely to affect the Security Assets in a manner which is reasonably likely to have a Material Adverse Effect.

5.6 *Action following receipt of notice under Clause 5.5 (Notices received relating to Security Assets)*

Following the giving of the copy Direction referred to in Clause 5.5 (*Notices received relating to Security Assets*) and subject to the All-Parties Agreement:

5.6.1 SAVVIS UK shall and shall procure that Guarantor shall, at the request of NatWest, but at SAVVIS UK’s cost, make or join with NatWest in making such objections or representations against or in respect of that Direction as NatWest (acting reasonably) shall deem necessary or expedient;

5.6.2 SAVVIS UK shall and shall procure that Guarantor shall, as soon as practicable following the request of NatWest (acting reasonably), take all reasonable steps to comply with that Direction, unless SAVVIS UK or Guarantor, as appropriate, is contesting that Direction in good faith; and

5.6.3 subject to Clause 5.6.2, the NatWest may, without incurring any of the liabilities of a mortgagee in possession, upon giving SAVVIS UK 5 (five) Business Days prior written notice, enter upon the Data Centres for the purpose of complying with any

Direction and may itself, at the cost of SAVVIS UK, do all acts and things reasonably necessary or proper for complying with any of them.

5.7 *Taxes*

SAVVIS UK shall and shall procure that Guarantor shall:

- 5.7.1 punctually pay all taxes, charges, duties, levies, assessments, impositions and outgoings whatsoever (whether governmental, municipal or otherwise) which may be imposed upon, or payable in respect of, the Security Assets unless such payment is being disputed in good faith by SAVVIS UK or Guarantor (as applicable); and
- 5.7.2 on demand of NatWest, produce to NatWest receipts confirming, or other evidence of, such payment described in Clause 5.7.1 or, if the payment is in dispute, evidence of such dispute and, immediately upon resolution of such dispute, evidence of the resolution.

6 **INSURANCE UNDERTAKINGS**

6.1 *Insurance*

SAVVIS UK shall, in addition to the requirements set out in this Clause 6, procure that all of the Data Centre Assets as are of an insurable nature are insured and kept insured in accordance with Clause 29 (*Insurance Undertakings*) of the Facility Agreement.

6.2 *Perfection of Security*

- 6.2.1 On or before the date of this Deed, SAVVIS UK shall deliver (or shall procure that there is delivered) a notice to the relevant Approved Broker in respect of the Insurances specified in Schedule 1 Part III (*Details of Insurances*) in substantially the form of Schedule 2 (*Form of Notice of Assignment*) (or as otherwise required by NatWest) and shall procure that each such Approved Broker acknowledges, agrees and confirms such notice to NatWest.

7 **DATA CENTRE ASSETS UNDERTAKINGS**

7.1 *Location of Data Centre Assets*

- 7.1.1 Subject to Clauses 7.1.2 and 7.3, SAVVIS UK shall keep the Class A Data Centre Assets listed in Schedule 3 (*Details of Data Centre Assets*) at the location specified for those Class A Data Centre Assets in Schedule 3 (*Details of Data Centre Assets*).
- 7.1.2 Notwithstanding Clause 7.1 above, SAVVIS UK may remove any Data Centre Asset from its location specified in Clause 7.1 (*Location of Data Centre Assets*) solely for the purpose and in the course of effecting necessary repairs to it, but only to another location previously notified in writing to NatWest. In no circumstances may SAVVIS UK, without the prior written consent of the Lender, acting on behalf of NatWest in accordance with the terms of the All-Parties Agreement, remove any Class A Data Centre Asset to a location outside England and Wales.

7.2 *Repair and Maintenance of Data Centre Assets and Access*

- 7.2.1 SAVVIS UK shall keep and maintain the Data Centre Assets in a good and safe condition and state of repair, and shall repair such Data Centre Assets as necessary, to no less an extent than would a reasonably prudent owner and operator of assets, similar to the Data Centre Assets (acting in accordance with and having full regard to (i) any suppliers' and/or manufacturers' recommendations and (ii) normal industry practice, standards and requirements applicable to assets, similar to the Data Centre Assets).
- 7.2.2 Provided that NatWest has given SAVVIS UK 5 (five) Business Days prior written notice of its intention to do so, permit NatWest and its agents and servants, with or without workmen, from time to time to examine the state and condition of any of the Data Centre Assets.

7.3 *Removal and Disposal of Data Centre Assets*

- 7.3.1 The Data Centre Assets may be moved from one Data Centre to another, as may be reasonably required by SAVVIS UK from time to time, provided that SAVVIS UK shall, upon reasonable written request from the Lender acting on behalf of NatWest in accordance with the All-Parties Agreement, provide the Lender with written details specifying the location of each of the Class A Data Centre Assets.
- 7.3.2 Save as set out in Clause 7.1.2 and this Clause 7.3, SAVVIS UK may not remove the Class A Data Centre Assets from the Location or dispose of them for any reason, without the prior written consent of Lender.
- 7.3.3 In addition to its rights under Clauses 7.1.2 and 7.3.1, SAVVIS UK may remove and sell such of the Class B Data Centre Assets, that are no longer required for use at any of the Data Centres or for any reason or have become obsolete, provided that the aggregate value of all such Class B Data Centre Assets (valued as at the date of disposal) to be disposed of from time to time, does not exceed a maximum aggregate amount of £2,000,000 (two million pounds Sterling) from the date hereof until the termination of the Facility Agreement and the Hedge Agreements in accordance with their respective terms.
- 7.3.4 At the NatWest's request, which request may be made no more frequently than once per annum, SAVVIS UK will provide NatWest with such information as NatWest may reasonably request in order to enable NatWest to determine to its satisfaction the value of the Class B Assets disposed of by SAVVIS UK from time to time.
- 7.3.5 If Lender acting on behalf of NatWest in accordance with the UK Intercreditor Agreement, at its absolute discretion, agrees that any of the Class A Data Centre Assets may be sold, NatWest agrees that Lender may agree the terms of such sale with SAVVIS UK and direct that the sales proceeds received are either used to make a pre-payment of the Loan(s) in accordance with Clause 8.2 of the Facility Agreement or to acquire replacement Class A Data Centre Assets.

7.4 *Replacements and subsequently acquired Data Centre Assets*

- 7.4.1 Any replacements or substitutes of any Data Centre Assets which SAVVIS UK is entitled to make in accordance with this Agreement shall be the same type of asset and similar value as that asset being replaced.

7.4.2 SAVVIS UK agrees that any replacement for or substitute of any Data Centre Assets shall be Security Assets and subject to the terms of this Deed, and shall be deemed to be either Class A Data Centre Assets or Class B Data Centre Assets, as the parties hereto may decide, and Class A Data Centre Assets acquired by SAVVIS UK after the date hereof shall be subject to the terms of this Deed and SAVVIS UK agrees that it shall do all such assurances, acts and things as NatWest may reasonably require for perfecting NatWest's Security Interests in such Data Centre Assets in accordance with Clause 18 of this Deed and SAVVIS UK undertakes that it shall provide NatWest with: (i) a schedule of all Class A Data Centre Assets acquired by SAVVIS UK after the date hereof on or before the date of acquisition; and (ii) a schedule of all replacement and substitute Class A Data Centre Assets acquired by SAVVIS UK from time to time, as permitted by the terms of this Deed, as soon as reasonably practicable following acquisition.

7.4.3 Save as the Lender, acting on behalf of NatWest in accordance with the terms of the All-Parties Agreement, may otherwise agree, in its absolute discretion, SAVVIS UK may only replace Class A Data Centre Assets in accordance with Clauses 8.2.1.2 and 29.5.1 of the Facility Agreement.

7.5 Insurance

Without prejudice to the generality of Clause 6 (*Insurance Undertakings*), SAVVIS UK or Guarantor shall insure the Data Centre Assets in accordance with Clause 6 (*Insurance Undertakings*).

7.6 Negative covenants

7.6.1 SAVVIS UK shall ensure that:

- (i) nothing is done or omitted to be done which is likely to result in the Data Centre Assets being confiscated, seized, requisitioned, taken in execution, impounded or otherwise taken from any of the Data Centres and, in any such event, SAVVIS UK will procure an immediate release of the Data Centre Assets;
- (ii) none of the Data Centre Assets is removed from any of the Data Centres save in accordance with this Deed and the Facility Agreement;
- (iii) none of the Data Centre Assets is altered, interfered with or materially attached to any machinery or plant or any other equipment, and no plant, machinery or accessories are attached to the Data Centre Assets which cannot be removed without damaging or impairing such Data Centre Assets except as may be required for the normal operation of such Data Centre Assets, provided that SAVVIS UK shall indemnify NatWest for any loss, costs, claims or damages NatWest suffers sustains or incurs as a result of: (i) NatWest's inability to recover any Data Centre Asset as a result of its having been attached to any other plant or machinery; or (ii) NatWest being required to make good any damage to any Data Centre Asset or any plant or machinery to which it may have been attached; and
- (iv) the Data Centre Assets are not used for any unlawful purposes.

8 REPRESENTATIONS AND WARRANTIES

8.1 *Nature and timing*

The representations and warranties set out in this Clause 8 are made in favour of NatWest with the knowledge and intention that NatWest is relying on and shall rely on them throughout the Security Period.

8.2 *Security ranking*

SAVVIS UK represents and warrants that this Deed:

8.2.1 constitutes, and shall, throughout the Security Period, constitute, legal, valid, binding and enforceable obligations of SAVVIS UK and Guarantor, subject to any general principles of law limiting its obligations which are specifically referred to in any legal opinion delivered pursuant to any Finance Documents;

8.2.2 has and shall, throughout the Security Period, have the ranking of a first fixed charge and first priority assignment over the Security Assets effective in accordance with its terms.

8.3 *Consents*

SAVVIS UK represents and warrants that all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents or the like) in order to enable SAVVIS UK and Guarantor to create this Security and to ensure that (subject to all necessary registrations thereof being made) this Security is valid, legally binding and enforceable and has and will have the ranking referred to in Clause 8.2 (*Security ranking*) have been taken, fulfilled and done.

9 POWERS AND DISCRETIONS OF THE NATWEST

9.1 *Curing of breaches and covenants*

Without prejudice to the rights of NatWest under the Finance Documents, if either SAVVIS UK or Guarantor fails to observe or perform any provision of this Deed and such failure is not remedied to the satisfaction of NatWest within 15 Business Days, SAVVIS UK and Guarantor shall allow and hereby authorise NatWest or such person as NatWest shall nominate to do all such acts and things and take such action on behalf of SAVVIS UK and Guarantor as may be necessary to secure the observance or performance of that provision without becoming liable as a mortgagee in possession, provided that such action is permitted to be undertaken by NatWest under the terms of the Intercreditor Agreement and the All-Parties Agreement.

9.2 *Indemnity*

SAVVIS UK shall indemnify NatWest and keep NatWest indemnified against all reasonable losses, costs, charges and expenses properly incurred by NatWest as a result of the failure by SAVVIS UK or Guarantor to observe or perform any provision of this Deed and in connection with the exercise by NatWest of its rights contained in Clause 9.1 (*Curing of breaches and covenants*).

9.3 *Expenses so incurred*

All monies reasonably and properly expended and all costs reasonably and properly incurred by NatWest in carrying out any of its powers and discretions referred to in Clause 9.1 (*Curing of breaches and covenants*) shall be considered to have been properly incurred by NatWest, shall be secured by this Deed and shall be payable on demand by SAVVIS UK to NatWest.

10 **WHEN SECURITY BECOMES ENFORCEABLE**

10.1 *Timing of enforcement*

10.1.1 The security intended to be created by this Deed shall become immediately enforceable upon the occurrence of an Event of Default which (as at the date of the first steps of enforcement) is continuing and has not been remedied or waived.

10.1.2 After the security intended to be created by this Deed has become enforceable and subject to the All-Parties Agreement:

10.1.2.1 the power of sale and other powers conferred by Section 101 of the Act (as varied or amended by this Deed) shall become immediately exercisable;

10.1.2.2 NatWest may, in its absolute discretion, enforce all or any part of such security in such manner as it sees fit; and

10.1.2.3 SAVVIS UK shall or shall procure that NatWest is granted access to the Location in order to take possession of and, where it requires to do so, remove the Data Centre Assets.

11 **ENFORCEMENT OF SECURITY**

11.1 *Powers arising*

The Secured Liabilities shall be deemed to have become due and payable, and the power of sale and other powers conferred on mortgagees by section 101 of the Act as varied and extended by this Deed, shall arise immediately on execution of this Deed by SAVVIS UK and Guarantor.

11.2 *Powers exercisable*

Neither section 93 nor section 103 of the Act shall apply to this Deed and the powers referred to in Clause 11.1 (*Powers arising*) may be exercised by NatWest and this Security shall become enforceable without notice to SAVVIS UK or Guarantor on or at any time after an Event of Default has occurred.

12 **APPOINTMENT AND REMOVAL OF RECEIVER**

The rights of NatWest under this Clause are subject to the terms of the Intercreditor Agreement and All-Parties Agreement.

12.1 *Appointment of Receiver*

12.1.1 At any time after this security becomes enforceable or if either SAVVIS UK or Guarantor so requests NatWest in writing at any time, NatWest may without further notice appoint, under seal or in writing under its hand, any one or more qualified persons to be a Receiver of all or any part of the Security Assets in like manner in every respect as if NatWest had become entitled under the Act to exercise the power of sale thereby conferred. In this Clause “**qualified person**” means a person who, under IA86, or any similar or analogous legislation relevant to SAVVIS UK or Guarantor in any jurisdiction, is qualified to act as a receiver (or similar or analogous person) of the property of any company with respect to which he is appointed.

12.1.2 Where any appointment of a Receiver is made at a time when a Receiver is already in and continues in office, the Receiver shall act jointly with the Receiver previously appointed hereunder.

12.1.3 Every such appointment of a Receiver shall take effect at the time and in the manner specified by IA86, or any similar or analogous legislation relevant to either SAVVIS UK or Guarantor in any jurisdiction.

12.1.4 If at any time any two or more persons hold office as Receivers of the same assets or income, such Receivers may act jointly or concurrently so that each of such Receivers shall be entitled (unless the contrary shall be stated in any of the instrument(s) appointing them) to exercise all the functions conferred on a Receiver by IA86 (or any similar or analogous legislation relevant to either SAVVIS UK or Guarantor in any jurisdiction) or the Act and in this Deed.

12.2 *Powers of Receiver*

12.2.1 Every Receiver appointed in accordance with Clause 12.1 (*Appointment of Receiver*) shall have and be entitled to exercise, in addition to those powers conferred by the Act on any receiver appointed thereunder:

12.2.1.1 all of the powers set out in Clause 12.3 (*Specific powers*); and

12.2.1.2 any and all powers, authorities and rights, in relation to the Security Assets, which it could exercise if it were the absolute unencumbered beneficial owner of such Security Assets.

12.2.2 If at any time there is more than one Receiver of all or any part of the Security Assets, each such Receiver may (unless otherwise stated in any document appointing him) exercise all of the powers conferred on a Receiver under this Deed individually and to the exclusion of each other Receiver.

12.2.3 Any Receiver may, in its absolute discretion, choose whether, and if so when, or not to exercise any of such powers, and SAVVIS UK and Guarantor recognise that the Receiver may do so notwithstanding that the same may be prejudicial to its interests and in this respect SAVVIS UK hereby waives to the fullest extent permissible any rights it may otherwise have under section 91(2) of the Act.

12.3 *Specific powers*

12.3.1 The powers referred to in the first sentence of Clause 12.2 (*Power of Receiver*) include:

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- 12.3.1.1**Take possession:** to take immediate possession of, get in and collect the Security Assets or any part thereof;
- 12.3.1.2**Carry on Business:** to carry on the business of SAVVIS UK as he may think fit;
- 12.3.1.3**Protection of assets:** to make and effect all repairs and insurances and do all other acts for the protection or for the improvement of the Security Assets as he may in his absolute discretion think fit;
- 12.3.1.4**Employees:** to appoint and discharge managers, officers, agents, accountants, servants, workmen and others for the purposes hereof upon such terms as to remuneration or otherwise as he may think proper and to discharge any such persons appointed by SAVVIS UK;
- 12.3.1.5**Borrow money:** for the purpose of exercising any of the powers, authorities and discretions conferred on him by or pursuant to this Deed and/or of defraying any costs, charges, losses or expenses (including his remuneration) which shall be incurred by him in the exercise thereof or for any other purpose, to raise and borrow money either unsecured or on the security of the Security Assets or any part thereof, either in priority to the security constituted by this Deed or otherwise, and generally on such terms and conditions as he may think fit and no person lending such money shall be concerned to enquire as to the propriety or purpose of the exercise of such power or to see to the application of any money so raised or borrowed;
- 12.3.1.6**Sell assets:** to sell, exchange, convert into money and realise or otherwise howsoever dispose of all or any part of the Security Assets by public auction or private contract and generally in such manner and on such terms as he shall think proper. Without prejudice to the generality of the foregoing he may do any of these things for a consideration or for a nil consideration consisting of cash, debentures or other obligations, shares, stock or other valuable consideration and any such consideration may be payable in a lump sum or by instalments spread over such period as he may think fit. Any such sale, exchange, conversion or realisation and disposal may be on terms excluding or restricting the liability of NatWest or the Receiver;
- 12.3.1.7**Leases:** to let or licence all or any part of the Security Assets for such term and at such rent or licence fee (with or without a premium) as he may think proper and to vary and/or accept a surrender of any lease or licence thereof on such terms as he may think fit (including the payment of money to a lessee or licensee on a surrender) and so that for the purposes of Section 99(2) of the Act the expression "mortgagor" shall include an encumbrancer deriving title under SAVVIS UK;
- 12.3.1.8**Compromise:** to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person who is or claims to be a creditor of SAVVIS UK or Guarantor or relating in any way to the Security Assets or any part thereof;

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- 12.3.1.9**Legal actions:** to bring, prosecute, enforce, defend and abandon all such actions, suits and proceedings in relation to the Security Assets or any part thereof as may seem to him to be expedient;
- 12.3.1.10**Receipts:** to give valid receipts for all moneys and execute all assurances and things which may be proper or desirable for realising the Security Assets;
- 12.3.1.11**Subsidiaries:** to form a subsidiary or subsidiaries of SAVVIS UK and transfer to any such subsidiary all or any part of the Security Assets;
- 12.3.1.12**Registered office:** to change the registered office of SAVVIS UK;
- 12.3.1.13**Contracts:** to enter into, perform, repudiate, rescind, vary, modify, assign or novate any contract, agreement option, agreement, building contract, professional appointment or otherwise for or which relates in any way to the Security Assets or any part thereof or in relation to the exercise of any of the powers of the receiver herein contained and to appoint hire and employ and to remunerate such contractors, advisers, professionals, agents, servants, attendants, managers, officers, workmen and others upon such terms and at such salaries, fees or remuneration and generally in such manner as he shall think fit and to discharge any such persons;
- 12.3.1.14**Proceedings:** to take any proceedings whether in the name of SAVVIS UK or Guarantor (or either of them) or otherwise as the Receiver may think fit and whether relating to any of the matters herein contained or otherwise and to make any arrangement or compromise which he may think expedient;
- 12.3.1.15**Indemnity:** to take any indemnity from SAVVIS UK or Guarantor from and against all actions, claims, expenses, demands and liabilities whether arising out of the contract or out of tort or in any other way incurred by him or by any manager, agent, officer, servant or workman or other person for whose debt, default or miscarriage he may be answerable for anything done or omitted to be done in the exercise or purported exercise of his powers hereunder or under any appointment duly made under the provisions of this Clause and if he thinks fit, but without prejudice to the foregoing, to effect with any insurance company or office or underwriters any policy or policies of insurance either in lieu or satisfaction of or in addition to such indemnity from SAVVIS UK or Guarantor; and
- 12.3.1.16**General powers:** to do all such other acts and things as he may consider desirable or necessary for realising the Security Assets or any part thereof or incidental or conducive to any of the matters, powers or authorities conferred on a Receiver under or by virtue of this Deed, to exercise in relation to the Security Assets or any part thereof all such powers, authorities and things as he would be capable of exercising if he were the absolute beneficial owner of the same and to use the name of SAVVIS UK for all or any of such purposes.

12.4 *Removal and remuneration*

NatWest may from time to time, by writing under its hand, remove any Receiver appointed by it and may, whenever it may deem it expedient, appoint a new Receiver in the place of any Receiver whose appointment may for any reason have terminated, and may from time to time fix the remuneration of any Receiver appointed by it.

12.5 *NatWest may exercise*

To the fullest extent permitted by law, all or any of the powers, authorities and discretions which are conferred by this Deed (either expressly or implied) upon a Receiver of the Security Assets may be exercised after the security hereby created becomes enforceable by NatWest, in relation to the whole of such Security Assets or any part thereof, without first appointing a Receiver of such property or any part thereof or notwithstanding the appointment of a Receiver of such property or any part thereof.

13 **APPLICATION OF PROCEEDS**

Any moneys received by NatWest or by any Receiver appointed by it pursuant to this Deed and/or under the powers hereby conferred shall, after the security hereby constituted shall have become enforceable, but subject to the payment of any claims having priority to this security, be applied by NatWest, unless otherwise determined by NatWest or such Receiver, in accordance with the All-Parties Agreement (but without prejudice to the right of NatWest to recover any shortfall from SAVVIS UK).

14 **NO LIABILITY AS MORTGAGEE IN POSSESSION**

14.1 *No mortgagee in possession*

Neither NatWest nor any Receiver shall, by reason of either entering into possession of the Security Assets, be liable to account as mortgagee in possession or be liable for any loss on realisation or for any default or omission for which a mortgagee in possession might be liable except to the extent caused by the gross negligence or wilful misconduct of NatWest or any Receiver.

14.2 *Receiver as agent*

Each Receiver shall be deemed to be the agent of SAVVIS UK and Guarantor for all purposes and in the same position as a receiver duly appointed by a mortgagee under the Act or under any similar or analogous legislation relevant to either SAVVIS UK or Guarantor in any jurisdiction. SAVVIS UK or Guarantor (as applicable) alone shall be responsible for the Receiver's contracts, engagements, acts, omissions, defaults for losses and liabilities incurred by him and NatWest shall not incur any liability therefor to either of SAVVIS UK or Guarantor or any other person whatsoever by reason of NatWest's appointing him as Receiver or for any other reason whatsoever.

14.3 *Rights, powers, privileges and immunities by the Act*

Each Receiver and NatWest shall be entitled to all the rights, powers, privileges and immunities by the Act conferred on mortgagees and receivers when such receivers have been duly appointed under the Act but so that section 103 of the Act shall not apply.

15 PROTECTION OF THIRD PARTIES

No purchaser, mortgagee or other person or company, with the exception of NatWest, dealing with NatWest or the Receiver or its or his agents shall be concerned to enquire whether the Secured Liabilities have become payable or whether any power which NatWest or the Receiver is purporting to exercise has become exercisable or whether any of the Secured Liabilities remain outstanding or to see to the application of any money paid to NatWest or to such Receiver.

16 EXPENSES

All costs, charges and expenses reasonably and properly incurred and all payments made by NatWest or any Receiver appointed hereunder in the lawful exercise of the powers hereby conferred, whether or not occasioned by any act, neglect or default of SAVVIS UK or Guarantor, shall carry interest (as well after as before judgment) at the relevant Default Rate from the date of the same being incurred or becoming payable until the date the same are unconditionally and irrevocably paid and discharged in full. The amount of all such costs, charges, expenses and payments and all such interest thereon and all remuneration payable hereunder shall be payable by SAVVIS UK within three Business Days of demand. All such costs, charges, expenses and payments shall be secured by the Security and shall be paid and charged as between NatWest and SAVVIS UK on the basis of a full indemnity.

17 DELEGATION BY NATWEST

NatWest may at any time and from time to time delegate by power of attorney, or in any other manner, to any person or persons, all or any of the powers, authorities and discretions which are for the time being exercisable by NatWest under this Deed in relation to the Security Assets or any part thereof. Any such delegation may be made upon such terms (including the power to sub-delegate) and subject to such regulations as NatWest may think fit. NatWest shall not be in any way liable or responsible to either SAVVIS UK or Guarantor for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate except to the extent caused by fraud, gross negligence or wilful misconduct of NatWest.

18 FURTHER ASSURANCES

18.1 *Perfection of Security Interests*

SAVVIS UK shall, at its own expense, execute and do or procure that there are executed and done all such assurances, acts and things as NatWest may reasonably require for perfecting the Security Interests intended to be created by this Deed over the Security Assets or for facilitating the realisation of the Security Assets and in the exercise of all powers, authorities and discretions vested in NatWest or any Receiver of the Security Assets or in any delegate or sub-delegate.

18.2 *Specific acts*

Each of SAVVIS UK and Guarantor shall, in particular but without limitation, execute all transfers, conveyances, assignments and assurances of the Security Assets whether to NatWest or to its nominees and give all notices, orders and directions and make all registrations which NatWest may (acting reasonably) think expedient, provided that such action is permitted to be undertaken by NatWest under the terms of the Intercreditor Agreement and All-Parties Agreement.

18.3 *Fixed Security Interests*

Without prejudice to Clause 18.2 (*Specific acts*), SAVVIS UK or Guarantor (as applicable) shall forthwith, at the request of NatWest, execute a legal charge or assignment over those Security Assets subject to or intended to be subject to any fixed security created by this Deed in favour of NatWest, in such form as NatWest may require incorporating provisions similar to this Deed, with such amendments as NatWest may require, having regard to the nature of the asset, the Security Interest to be created and any change in law.

18.4 *Notices of this Security*

SAVVIS UK shall promptly affix to the Security Assets, and indorse or cause to be indorsed or shall procure that these are affixed or indorsed on the certificates and documents which constitute or evidence title to the Security Assets, such notices, endorsements or memoranda referring to this Security as NatWest may reasonably and from time to time require.

19 **REDEMPTION OF PRIOR SECURITY INTERESTS**

19.1 *Redemption of Security Interests*

NatWest may, at any time after the security hereby constituted has become enforceable, redeem any prior Security Interests against the Security Assets or any part thereof or procure the transfer thereof to itself and may settle and pass the accounts of the prior mortgagee, chargee or encumbrancer.

19.2 *Accounts conclusive*

Any accounts so settled and passed shall be conclusive and binding on SAVVIS UK except in the case of manifest error.

19.3 *SAVVIS UK to pay on demand*

All principal moneys, interest, costs, charges and expenses of and incidental to such redemption and transfer reasonably and properly incurred shall be paid by SAVVIS UK to NatWest on demand.

20 **POWER OF ATTORNEY**

20.1 *Appointment*

Each of SAVVIS UK and Guarantor hereby, by way of security and in order more fully to secure the performance of its obligations under this Deed, irrevocably appoints NatWest and every delegate or sub-delegate to be their attorney acting severally, and on its behalf and in its name or otherwise:

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- 20.1.1 to execute and do all such assurances, acts and things which SAVVIS UK or Guarantor (as applicable) ought to do under this Deed;
- 20.1.2 to make any demand upon, or to give any notice or receipt to, any person owing monies to SAVVIS UK or Guarantor (as applicable) provided that such action is permitted to be undertaken under the terms of the Intercreditor Agreement;
- 20.1.3 to execute and deliver any legal charges, assignments or other security and any transfers of shares, bonds or similar securities;
- 20.1.4 to exercise the powers, authorities and discretions conferred by or pursuant to this Deed or by statute on NatWest or any such Receiver, delegate or sub-delegate; and
- 20.1.5 to sell and deliver and otherwise perfect any deed, assurance, agreement, instrument or act which it may deem proper in or for the purpose of exercising any of such powers, authorities and discretions.

20.2 *Ratification*

Each of SAVVIS UK and Guarantor hereby ratifies and confirms and agrees to ratify and confirm whatever any such attorney as is mentioned in this Clause 20 shall do or purport to do in the exercise or purported exercise of all or any of the powers, authorities and discretions referred to in this Clause.

20.3 *General power*

The appointment under Clause 20.1 (*Appointment*) shall operate as a general power of attorney made under section 10 of the Powers of Attorney Act 1971.

21 **SUBSEQUENT SECURITY INTERESTS AND NEW ACCOUNTS**

If NatWest shall at any time receive or be deemed to have received notice of any Security Interest affecting the Security Assets or any assignment or transfer thereof which is prohibited by this Deed:

- 21.1 NatWest may open a new account for SAVVIS UK and/or Guarantor in its books; and
- 21.2 if NatWest does not in fact open such new account, then, unless it gives express written notice to SAVVIS UK or Guarantor to the contrary, it shall be treated as if it had in fact opened such account at the time when it received or was deemed to have received such notice, and as from such time and unless such express written notice shall be given to SAVVIS UK or Guarantor, all payments by or on behalf of SAVVIS UK and Guarantor to NatWest shall be credited or treated as having been credited to such new account and not as having been applied in reduction of the Secured Liabilities at such time.

22 CONTINGENCIES

If the Security is enforced at a time when no amount is due under the Finance Documents but at a time when amounts may or will become due, NatWest (or the Receiver) may pay the proceeds of any recoveries effected by it unto a suspense account. Any proceeds paid into a suspense account must be applied by NatWest in payment of amounts due under the Finance Documents as and when those amounts become due.

23 COMBINATION AND SET-OFF

23.1 *Combination*

NatWest may without notice to SAVVIS UK combine, consolidate or merge all or any of the accounts of SAVVIS UK with, and liabilities to, NatWest (including, without limitation, under any hedging or other agreement made between NatWest and SAVVIS UK).

23.2 *Set-off*

NatWest may set-off any matured obligation due from either of SAVVIS UK or Guarantor under this Deed against any matured obligation owed by NatWest to either SAVVIS UK or Guarantor, regardless of the place of payment, booking branch or the currency of either obligation. If the obligations are in different currencies, NatWest may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off, provided that such action is permitted to be undertaken by NatWest under the Intercreditor Agreement, UK Intercreditor Agreement and Hedge Agreements.

23.3 *Notice*

NatWest shall notify SAVVIS UK or Guarantor (as applicable) immediately on the exercise or purported exercise of any right under this Clause 23 provided that any failure by NatWest so to notify will not invalidate or otherwise prejudice any such exercise or purported exercise.

24 CURRENCY

24.1 *Currency Conversion*

NatWest may, in connection with any application of any monies pursuant to this Deed and whether for the purpose of or pending the discharge of the Secured Liabilities, convert any monies from time to time in accordance with the terms of the Hedge Agreements.

24.2 *Currency indemnity*

SAVVIS UK shall indemnify NatWest in accordance with the terms of the Hedge Agreements for any sum due in relation to any currency conversion performed pursuant to Clause 24.1 (*Currency conversion*).

25 **CERTIFICATES AND DETERMINATIONS**

Any certification or determination by NatWest of a rate or amount under this Deed is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

26 **INDEMNITIES AND EXPENSES**

26.1 *General indemnity*

SAVVIS UK shall, on demand, indemnify NatWest, any Receiver and any manager, agent, officer or employee for whose liability, acts or omissions NatWest or the Receiver may be answerable from and against all liabilities, costs, charges, losses, expenses, legal and other professional fees (including Tax) suffered or incurred by any of them, except by their own gross negligence or wilful misconduct, arising from or as a result of:

26.1.1 the exercise or the purported exercise of any powers, authorities or discretions conferred on any of them under or by virtue of this Deed;

26.1.2 any matter or thing done or omitted to be done under, or in any way relating to, this Deed;

26.1.3 any breach, non-observance or non-performance by SAVVIS UK or Guarantor of any of its covenants, undertakings, obligations, representations or warranties under this Deed;

26.1.4 the making good of any such breach, non-observance or non-performance;

26.1.5 the enforcement of this Deed; or

26.1.6 any action, claim or proceeding relating to any of the above.

26.2 *Obligation to pay*

SAVVIS UK shall, in accordance with Clause 26.5 (*Time for payment*), pay to NatWest for the benefit of NatWest:

26.2.1 the items of expenditure set out in Clause 26.3 (*Identification of expenses*); and

26.2.2 the amount referred to in Clause 26.1 (*General indemnity*).

26.3 *Identification of expenses*

The items of expenditure referred to in Clause 26.2.1 (*Obligation to pay*) are all expenses (including, without limitation, reasonable legal and out-of-pocket expenses on a full indemnity basis) reasonably and properly incurred by NatWest in connection with:

26.3.1 the preparation, negotiation and execution of this Deed;

26.3.2 the preparation and negotiation of documentation relating to any amendment or extension of this Deed on terms agreeable to all parties thereto;

26.3.3 the granting, preparation and documenting of any waiver, approval, consent, confirmation or release under, or in respect of, this Deed;

26.3.4 any investigation or due diligence into the financial or other condition of SAVVIS UK or Guarantor or into ascertaining whether or not SAVVIS UK or Guarantor has complied or is complying with this Deed;

26.3.5 the contemplation of the enforcement of any rights or the exercise of any powers under this Deed or in investigating any possible breach by either SAVVIS UK or Guarantor of this Deed;

26.3.6 any proceedings (legal or otherwise) involving NatWest in connection with this Deed or the Security Assets, whether such proceedings are brought by either SAVVIS UK or Guarantor or a third party; and

26.3.7 the matters referred to in Clause 21 (*Subsequent Security Interests and New Accounts*).

26.4 *Stamp duties and other payments*

In addition, SAVVIS UK shall, in accordance with the Clause 26.5 (*Time for payment*), pay an amount equal to any stamp duties, search fees, registration fees and duties payable in connection with this Deed and any penalties with respect to, or resulting from, delay or omission to pay any such duties or fees.

26.5 *Time for payment*

SAVVIS UK shall, on first demand, pay or reimburse NatWest for the items of expenditure referred to in Clause 26.3 (*Identification of expenses*) and any amount referred to in Clause 26.4 (*Stamp duties and other payments*).

27 **EFFECTIVENESS OF SECURITY**

27.1 *Continuing Security*

This Security is a continuing security and will not be considered satisfied by any intermediate payment or settlement of account or otherwise, but will remain in force until the end of the Security Period.

27.2 *Rights additional*

The rights of NatWest under this Deed are in addition to any guarantee, other rights or Security Interest, present or future, held by NatWest from SAVVIS UK or Guarantor or any other person in respect of the payment or discharge of the Secured Liabilities and will not merge with, or prejudice or be prejudiced by, any such guarantee, rights or Security Interest or by any dealing with, exchanging, releasing, modifying or abstaining from perfecting or enforcing any of them, and this Deed may be enforced against SAVVIS UK or Guarantor (or either of them) without first having recourse to any guarantee, other rights or Security Interest in favour of NatWest.

27.3 *Other dealing*

This Security and its validity shall not in any way be prejudiced or affected by NatWest dealing with, exchanging, releasing, modifying or abstaining from perfecting or enforcing any Security Interest, guarantee or other rights or remedies referred to in Clause 27.2 (*Rights additional*) or by giving time for payment or indulgence or compounding with any other person liable.

27.4 *Conditional release of security*

Without prejudice to Clause 1.8 (*Irrevocable payment*), if any Security Interest, disposition or payment made or given to NatWest is avoided, reduced, set aside, rendered unenforceable or required to be paid away by virtue of any provision, requirement or enactment, whether relating to bankruptcy, insolvency or liquidation or otherwise at any time in force, or by virtue of any obligation to give effect to any preference or priority, NatWest shall be entitled to recover the value or amount of that Security Interest, disposition or payment from SAVVIS UK on demand.

27.5 *Retention of Security*

NatWest may retain this Security and this Deed throughout the Security Period.

27.6 *Change in constitution of NatWest*

This Deed and this Security shall be enforceable notwithstanding any change in the constitution of NatWest or its absorption of or amalgamation with or the acquisition of its respective undertakings by any third party.

27.7 *Preservation of Security*

If for any reason any Security Interest intended to be created by this Deed ceases to be continuing security, such Security Interest shall remain effective as security in respect of the Secured Liabilities at the date of such cessation, regardless of any subsequent increase or reduction in the amounts of any sums constituting Secured Liabilities.

27.8 *Obligations of SAVVIS UK and Guarantor*

27.8.1 The obligations of each of SAVVIS UK and Guarantor under this Deed are primary obligations.

27.8.2 The obligations of SAVVIS UK and Guarantor under this Deed, the Security Interests intended to be created by this Deed, and the rights, powers and remedies of NatWest under this Deed shall not be discharged, impaired or otherwise affected by:

27.8.2.1 any legal limitation, disability, incapacity or other circumstances relating to any other person;

27.8.2.2 the Winding-up, dissolution, administration or reorganisation of any other person or any change in its status, function, control or ownership;

27.8.2.3 any of the Secured Liabilities or any security therefor being or becoming illegal, invalid, unenforceable or ineffective in any respect;

27.8.2.4 time or other indulgence being granted or agreed to be granted to any other person in respect of any of the Secured Liabilities;

27.8.2.5 any amendment to, or any variation, waiver or release of, any of the Secured Liabilities however fundamental the same may be;

27.8.2.6 any failure to take, or fully to take, any security contemplated by any Finance Document or otherwise agreed to be taken in respect of the Secured Liabilities;

27.8.2.7 any failure to realise, or fully to realise the value of, or any release, discharge, exchange or substitution of, any security taken in respect of the Secured Liabilities; or

27.8.2.8 any other act, event or omission (other than an express discharge by NatWest in writing) which, but for this Clause 27.8.2, might operate to discharge, impair or otherwise affect the security interest(s) created by this Deed or any of the obligations of SAVVIS UK or Guarantor under this Deed or any of the rights, powers or remedies conferred upon NatWest by any Finance Document or by law.

27.9 *NatWest's rights*

NatWest shall not be obliged before the exercise of the rights, powers or remedies conferred upon NatWest in respect of SAVVIS UK or Guarantor or the Security Assets by any Finance Document or by law:

27.9.1 to make any demand of any other person;

27.9.2 to take any action or obtain judgment in any court against any other person;

27.9.3 to make or file any claim or proof in a Winding-up or dissolution of any other person;

27.9.4 to enforce or seek to enforce any other security taken in respect of the Secured Liabilities; and/or

27.9.5 to exercise any right of set-off, counterclaim or similar rights against any other person, or to have the benefit of any payment or other distribution from any other person.

27.10 *Perpetuity period*

The perpetuity period for the trusts contained in this Deed is 80 years from the date of this Deed.

28 **REASSIGNMENT AND RELEASE OF SECURITY**

On the expiry of the Security Period, NatWest shall, at the request and cost of SAVVIS UK and without any warranty or representation in connection with the reassignment, execute such reassignments and do all such other deeds, acts and things as may be necessary to reassign those Security Assets (then in existence) which were assigned to NatWest and to release the remaining Security Assets from this Security.

29 **MISCELLANEOUS**

29.1 *Certificate of NatWest*

The certificate of NatWest as to:

29.1.1 any matter in relation to this Deed which is to be designated, calculated, decided, determined or certified by NatWest under, or in respect of, this Deed;

29.1.2 the amount at any time of the Secured Liabilities or any other amount payable under this Deed; or

29.1.3 any rate of exchange or currencies, shall be conclusive and binding on SAVVIS UK and Guarantor unless there is an obvious error.

29.2 *Severability*

If a provision of this Deed is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

29.2.1 the validity or enforceability in that jurisdiction of any other provision of this Deed; or

29.2.2 the validity or enforceability in any other jurisdiction of that or any other provision of this Deed.

29.3 *Waivers, remedies cumulative*

The rights of NatWest under this Deed:

29.3.1 may be exercised as often as NatWest considers necessary or desirable;

29.3.2 are cumulative and not exclusive of its respective rights under any applicable law; and

29.3.3 may be waived only in writing and specifically.

29.4 *Delay*

Delay in exercising or the non-exercise of any right of NatWest under this Deed is not a waiver of that right.

30 **ASSIGNMENTS, TRANSFER, ETC**

30.1 Any assignment or transfer of this Deed by NatWest must comply with the terms and conditions of the Hedge Agreements and shall be subject to the prior written consent of the Lender.

30.2 *Disclosure of information*

NatWest shall be entitled to disclose any information concerning SAVVIS UK or Guarantor and the Finance Documents as NatWest shall consider appropriate to a person to whom NatWest has assigned or purported to assign the benefit of this Deed or to any person who may otherwise enter into or proposes to enter into contractual relations with NatWest in relation to this Deed if the person to whom the information is to be given has entered into a Confidentiality Undertaking (substantially in the form most recently recommended (or suggested) by the LMA).

31 **NOTICES**

31.1 *Communications in accordance with the Hedge Agreements*

Each communication to be made under this Deed shall be made in accordance with the terms of the Hedge Agreements.

32 **COUNTERPARTS**

This Deed may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

33 **NON-CONTRAVENTION**

It is hereby certified that the Security created hereby does not contravene any of the provisions of the Memorandum or Articles of Association of SAVVIS UK or any constitutional documents relating to Guarantor.

34 **AMENDMENT**

Any term of this Deed may be amended or waived only with the consent of NatWest, SAVVIS UK and Guarantor and in accordance with the terms of the Intercreditor Agreement and All-Parties Agreement and any such amendment or waiver will be binding on all parties.

35 **GOVERNING LAW**

This Deed is governed by English law.

36 **ENFORCEMENT**

36.1 *Jurisdiction*

Clause 13 (*Governing Law and Jurisdiction*) of the Hedge Agreement shall apply, mutatis mutandis, to this Deed.

36.2 *Agent for Service of Process*

Without prejudice to any other mode of service allowed under any relevant law, Guarantor irrevocably appoints SAVVIS UK as its agent for service of process in relation to any proceedings before the English courts in connection with this Deed, and Guarantor agrees that failure by a process agent to notify it of the process will not invalidate the proceedings concerned. SAVVIS UK hereby accepts such appointment.

This Deed has been executed as a Deed and delivered as a deed on the date stated at the beginning of this Deed.

SAVVIS UK

SIGNED as a **DEED** by)
SAVVIS UK LIMITED)
acting by Jeffrey H Von Deylen and)
Gene DeFelice)
/s/ Jeffrey H. VonDeylen
Director

/s/ Gene DeFelice
Director/Secretary

Address: Eskdale Road, Winnersh
Triangle, Wokingham,
Berkshire RG41 5TS

Facsimile no: 44 (0)118 322 6092

Attention: Secretary

THE GUARANTOR)
)
Executed as a **Deed**)
by)
SAVVIS, Inc., a Delaware Corporation)
acting by)
/s/ Jeffrey H. VonDeylen
Authorised Signatory

being persons who in accordance with
the laws of that territory are acting
under the authority of and for and on
behalf of SAVVIS, Inc. /s/ Meredith M. Graham
Authorised Signatory

Address: One SAVVIS Parkway, Town
& Country, Missouri 63017 USA

Facsimile no: 314 628 7450

Attention: Chief Financial Officer

NATWEST

SIGNED for and on behalf of)
NATIONAL WESTMINSTER BANK)
PLC) /s/ Authorised Signatory
)
Authorised Signatory

Address: 280 Bishopsgate
London EC2M 3RB

Facsimile no: 020 7085 5050

Attention: Swaps Administration

DATED 8 SEPTEMBER 2008

DEED OF CONFIDENTIALITY

SAVVIS UK LIMITED and all AFFILIATES (“SAVVIS” or “COMPANY”)

(1)

and

RICHARD WARLEY

(2)

**Hogan & Hartson
Juxon House
100 St Paul's Churchyard
London EC4M 8BU
Tel: 020 7367 0200
Fax: 020 7267 0220**

Ref: JCM/080262.31

BETWEEN:

- (1) SAVVIS UK LIMITED and all AFFILIATES (collectively “SAVVIS” or the “Company”); and
- (2) RICHARD WARLEY (the “Employee”)

1. RECITALS

- 1.1** The Employee has been employed by the Company in the position as Managing Director EMEA pursuant to various agreements but, in particular, a letter dated 30th June 2003 and a non-disclosure agreement entered into on 1st September 2000 between the Company and the Employee (“the Agreement”).
- 1.2** The Employee acknowledges the enforceability of Clauses 1 to 4 of the Agreement, save that Clause 1 of the Agreement is hereby agreed to continue indefinitely, or until such time as such information comes into the public domain otherwise than as a result of an unauthorised disclosure by the Employee or any other person who owes the Company an obligation of confidentiality in relation to the information disclosed.
- 1.3** The Employee hereby irrevocably and voluntarily resigns his employment with the Company (and all offices and Boards of the Company) on 8 September 2008 effective the Termination Date. The Employee will continue in employment with the Company until 30th September 2008 (the “Termination Date”).
- 1.4** The Employee has agreed to work to professionally transition his responsibilities through the Termination Date to a successor(s) and also to reasonably respond to inquiries of the Company thereafter.

2. RESTRICTED STOCK UNITS

The Company will permit the Employee’s 22,222 of Restricted Stock Units issued to the Employee on 29 August 2005 pursuant to the Company’s Amended and Restated 2003 Incentive Compensation Plan (the “Plan”) to vest on 30 September 2009 with respect to such Restricted Stock Units. All and any entitlements the Employee may have in relation to the Restricted Stock Units shall be governed by the rules of the Plan.

3. RESTRICTIONS

- 3.1** In consideration of Clause 2.1 above, the Employee agrees that he shall not for a period of twelve (12) months from the Termination Date, either on his own behalf or on behalf of any person, firm or company in relation to the Business.
- 3.1.1** solicit, approach or offer goods or services to or endeavour to entice away from the Company, any person, firm or company who was a Client or Customer of the Company at any time during the Relevant Period, and in each case with whom the Employee has been involved or become aware by virtue of his duties hereunder at any time during the Relevant Period; or

-
- 3.1.2 deal with from any person, firm or company who was a Client or Customer of the Company at any time during the Relevant Period, and in each case with whom the Employee has been involved or become aware by virtue of his duties hereunder at any time during the Relevant Period; or
- 3.1.3 solicit, approach or offer goods or services to, any person, firm or company who was a Potential Client of the Company at any time during the Relevant Period, and in each case with whom the Employee has been involved or become aware by virtue of his duties hereunder at any time during the Relevant Period; or
- 3.1.4 deal with any person, firm or company who was a Potential Client of the Company during the Relevant Period, and in each case with whom the Employee has been involved or become aware by virtue of his duties hereunder at any time during the Relevant Period; or
- 3.1.5 approach, solicit, endeavour to entice away any person who is or was an employee of the Company with whom the Employee has had dealings or become aware within the Relevant Period whether or not such person would commit any breach of his contract of employment by reason of so leaving the service of the Company or otherwise; or
- 3.1.6 encourage or induce the employment, engagement, or offer employment to or procure the employment or engagement of any person who is or was an employee of the Company with whom the Employee has had dealings or become aware within the Relevant Period whether or not such person would commit any breach of his contract of employment by reason of so leaving the service of the Company or otherwise; or
- 3.1.7 represent himself as being in any way connected with or interested in the business of the Company (other than as a consultant or a member if such be the case) or use any name which is identical or similar to or likely to be confused with the name of the Company or any product or service produced or provided by the Company or which might suggest a connection with the Company.
- 3.2** For the purposes of the restrictions set out above, the following words shall have the following meanings:-
- 3.2.1 “**Business**” shall mean the business or businesses of the Company in which pursuant to the Employee’s duties hereunder, the Employee was materially involved at any time during the Relevant Period;
- 3.2.2 “**Client or Customer**” shall mean any person, firm or company to whom during the Relevant Period the Company sold or supplied goods and/or services in either case for the purpose of the Business and with whom the Employee or any person reporting to the Employee had dealings or become aware at any time during the Relevant Period or in respect of whom the Employee came into possession of confidential information in the performance of the Employee’s duties during the Relevant Period;
- 3.2.3 “**Potential Client**” shall mean any person, firm or company to whom during the Relevant Period the Company was seeking to sell and or supply goods and or services in either case for the purpose of the Business and with whom the Employee had dealings or become aware at any time during the Relevant Period or in respect of whom the Employee came into possession of confidential information in the performance of the Employee’s duties during the Relevant Period;
- 3.2.4 “**Relevant Period**” shall mean the period of twelve months ending on the Termination Date.

4. GOVERNING LAW

Governing law and jurisdiction in terms of this Agreement shall be governed by and construed in all respects in accordance with English law and the parties agree to submit to the non-exclusive jurisdiction of the English courts as regards any claim or matter arising in respect of this Agreement.

5. COUNTERPARTS

This Agreement may be executed in two counterparts, each of which when executed and delivered is an original but all the counterparts together constitute the same document.

Delivered as a deed on the date set out above.

EXECUTED and DELIVERED as a DEED

By _____
SAVVIS UK Limited

acting through:-

/s/ Jeffrey H. Von Devlen
Director

/s/ Eugene V. DeFelice
Director

EXECUTED and DELIVERED as a DEED

By /s/ Richard S. Warley
RICHARD WARLEY

in the presence of:-

Signature of witness	<u>/s/ Michele Winslow</u>
Name of witness	Michele Winslow
Address of witness	_____
Occupation of witness	Executive Assistant

Certification of Chief Executive Officer
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Philip J. Koen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SAVVIS, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2008

By: /s/ Philip J. Koen
 Philip J. Koen
 Chief Executive Officer
 (principal executive officer)

Certification of Chief Financial Officer
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey H. Von Deylen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SAVVIS, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2008

By: /s/ Jeffrey H. Von Deylen

Jeffrey H. Von Deylen
 Chief Financial Officer
(principal financial officer and principal accounting officer)

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of SAVVIS, Inc. (the Company), hereby certifies that, to his knowledge on the date hereof:

- (a) the quarterly report on Form 10-Q for the quarterly period ended September 30, 2008, filed on the date hereof with the Securities and Exchange Commission (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2008

By: /s/ Philip J. Koen
Philip J. Koen
Chief Executive Officer

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Financial Officer of SAVVIS, Inc. (the Company), hereby certifies that, to his knowledge on the date hereof:

- (a) the quarterly report on Form 10-Q for the quarterly period ended September 30, 2008, filed on the date hereof with the Securities and Exchange Commission (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2008

By: /s/ Jeffrey H. Von Deylen
Jeffrey H. Von Deylen
Chief Financial Officer

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