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, 2003

OR

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

For the transition period from______ to ______

Commission File Number 000-31293

EQUINIX, INC.
(Exact name of registrant as specified in its charter)

Delaware	**77-0487526**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

301 Velocity Way, Fifth Floor, Foster City, California 94404
(Address of principal executive offices, including ZIP code)

(650) 513-7000
(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) Yes ☒ No ☐ and (2) has been subject to such filing requirements for the past 90 days. Yes ☒. No ☐.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b of the Exchange Act). Yes ☐ No ☒.

The number of shares outstanding of the Registrant's Common Stock as of September 30, 2003 was 9,420,777.

EQUINIX, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

EQUINIX, INC.
Condensed Consolidated Balance Sheets
(in thousands)

	September 30, 2003	December 31, 2002
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 21,723	$ 41,216
Short-term investments	3,500	—
Accounts receivable, net	9,393	9,152
Current portion of restricted cash	—	1,981
Prepaids and other current assets	6,552	11,146
Total current assets	41,168	63,495
Property and equipment, net	347,846	390,048
Restricted cash, less current portion	2,193	2,426
Intangible assets, net	23,846	24,981
Debt issuance costs, net	5,956	7,250
Other assets	3,377	3,803
Total assets	$ 424,386	$ 492,003
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,371	$ 7,243
Accrued expenses	10,235	13,104
Accrued restructuring charges	1,561	11,528
Accrued interest payable	3,071	2,311
Current portion of debt facilities and capital lease obligations	2,933	5,591
Current portion of credit facility	9,481	1,981
Other current liabilities	3,243	4,413
Total current liabilities	34,895	46,171
Debt facilities and capital lease obligations, less current portion	1,404	3,633
Credit facility, less current portion	81,038	89,529
Senior notes	29,142	28,908
Convertible secured notes	28,475	25,354
Other liabilities	17,873	14,214
Total liabilities	192,827	207,809
Stockholders' equity:		
Preferred stock	2	2
Common stock	9	8
Additional paid-in capital	650,608	638,065
Deferred stock-based compensation	(1,636)	(2,865)
Accumulated other comprehensive income	683	617
Accumulated deficit	(418,107)	(351,633)
Total stockholders' equity	231,559	284,194
Total liabilities and stockholders' equity	$ 424,386	$ 492,003

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
		(unaudited)		
Revenues	$ 30,919	$ 20,187	$ 84,788	$ 58,385
Costs and operating expenses:				
Cost of revenues	33,314	26,217	95,567	78,599
Sales and marketing	4,823	2,888	14,210	12,168
General and administrative	7,068	8,159	26,350	22,735
Restructuring charges	—	19,010	—	28,960
Total costs and operating expenses	45,205	56,274	136,127	142,462
Loss from operations	(14,286)	(36,087)	(51,339)	(84,077)
Interest income	46	179	182	961
Interest expense	(5,478)	(8,180)	(15,317)	(26,411)
Gain on debt extinguishment	—	—	—	27,188
Net loss	$ (19,718)	$ (44,088)	$ (66,474)	$ (82,339)
Net loss per share:				
Basic and diluted	$ (2.12)	$ (14.04)	$ (7.52)	$ (28.12)
Weighted average shares	9,293	3,141	8,837	2,928

See accompanying notes to condensed consolidated financial statements.

EQUINIX, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Nine months ended September 30, 2003	2002
	(unaudited)	
Cash flows from operating activities:		
Net loss	$ (66,474)	$ (82,339)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and accretion	46,212	39,499
Amortization of intangible assets	1,562	—
Amortization of deferred stock-based compensation	2,160	5,640
Non-cash interest expense	7,245	3,254
Deferred rent	2,328	1,171
Allowance for doubtful accounts	164	2,338
Loss on disposal of property and equipment	—	11
Restructuring charges	—	28,960
Gain on debt extinguishment	—	(27,188)
Changes in operating assets and liabilities:		
Accounts receivable	(194)	(2,150)
Prepaids and other current assets	4,594	2,585
Other assets	518	1,332
Accounts payable and accrued expenses	(5,741)	(3,180)
Accrued restructuring charges	(10,617)	(8,869)
Accrued interest payable	(990)	4,999
Other current liabilities	(722)	1,590
Other liabilities	(389)	2,606
Net cash used in operating activities	(20,344)	(29,741)
Cash flows from investing activities:		
Purchase of short-term investments	(3,500)	(14,662)
Proceeds from redemption of short-term investments	—	41,224
Purchases of property and equipment	(2,889)	(5,091)
Accrued construction costs	—	(28,708)
Purchase of restricted cash and short-term investments	(50)	(5,090)
Proceeds from redemption of restricted cash and short-term investments	2,256	5,820
Net cash used in investing activities	(4,183)	(6,507)
Cash flows from financing activities:		
Proceeds from exercise of stock options and employee stock purchase plan	1,521	537
Proceeds from convertible secured notes	10,000	—
Debt issuance costs	(458)	(425)
Debt extinguishment costs	—	(1,100)
Repayment of debt facilities and capital lease obligations	(5,102)	(5,201)
Repayment of credit facility	(990)	(5,000)
Repayment of senior notes	—	(2,511)
Net cash provided by (used in) financing activities	4,971	(13,700)
Effect of foreign currency exchange rates on cash and cash equivalents	63	427
Net decrease in cash and cash equivalents	(19,493)	(49,521)
Cash and cash equivalents at beginning of period	41,216	58,831
Cash and cash equivalents at end of period	$ 21,723	$ 9,310
Supplemental cash flow information:		
Cash paid for interest	$ 10,210	$ 18,563

See accompanying notes to condensed consolidated financial statements.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared by Equinix, Inc. ("Equinix" or the "Company") and reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to present fairly the financial position and the results of operations for the interim periods presented. The balance sheet at December 31, 2002 has been derived from audited financial statements at that date. The financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission ("SEC"), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles. For further information, refer to the Consolidated Financial Statements and Notes thereto included in Equinix's Form 10-K/A as filed with the SEC on April 25, 2003. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The accompanying unaudited condensed consolidated financial statements include the accounts of Equinix and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In October 2002, the Company entered into agreements to consummate a series of related acquisition and financing transactions. These transactions closed on December 31, 2002. Under the terms of these agreements, the Company combined its business with two similar businesses, that of i-STT Pte Ltd ("i-STT") and Pihana Pacific, Inc. ("Pihana"). i-STT's business was based in Singapore, with operations in Singapore and a joint venture in Thailand. Pihana's business was based in Hawaii, with operations in Honolulu, Los Angeles, Hong Kong, Singapore Tokyo and Sydney. In connection with the acquisition of i-STT and Pihana, the Company issued approximately 3.5 million shares of its common stock and approximately 1.9 million shares of its Series A preferred stock. This transaction is referred to as the "Combination". In conjunction with the Combination, the Company issued to i-STT's former parent company, STT Communications Ltd. ("STT Communications"), a $30.0 million convertible secured note in exchange for cash. This transaction is referred to as the "Financing". In connection with the Combination and Financing, the Company amended the terms of the indenture governing its Senior Notes and extinguished $116.8 million of its Senior Notes in exchange for a combination of 1.9 million shares of its common stock and $15.2 million of cash. This transaction is referred to as the "Senior Note Exchange". Because the Company extinguished the debt in the Senior Note Exchange at a significant discount, the Company recognized a substantial gain on debt extinguishment during the fourth quarter of 2002. In June 2003, the Company issued to various entities affiliated with Crosslink Capital $10.0 million in convertible secured notes in exchange for cash. This transaction is referred to as the "Crosslink Financing" (see Note 9).

Under the terms of the Company's Credit Facility, as amended, the Company must meet certain financial and non-financial covenants, including maintaining a monthly minimum cash balance. While these covenants were reset in December 2002 and are consistent with the Company's expected future performance, if the Company does not achieve the intended growth required or is unable to reduce costs to a level to comply with these covenants, the Company may be required to repay the $90.5 million currently outstanding under the Credit Facility (see Note 9). Since the Company does not have sufficient cash reserves to pay this if an event of default occurs, the Company may be required to renegotiate with the debt issuers for forbearance, make other financial arrangements or take other actions in order to pay down the loan. There can be no assurance that such revised covenants will be met, or that the Company will be able to obtain a forbearance or that replacement financing will be available. In addition, a default in the Credit Facility will trigger cross-default provisions in the Company's other debt facilities. If the cash flows from operations are not sufficient to support the Company's cash requirements, cost reductions implemented as a result of this could adversely affect the business and the Company's ability to achieve its business objectives. As of September 30, 2003, the Company was in compliance with all debt covenants.

Stock Split

On December 31, 2002, the Company affected a thirty-two-for-one reverse stock split whereby one share of common stock was exchanged for every thirty-two shares of common stock then outstanding. All share and per share amounts in these financial statements have been retroactively adjusted to give effect to the stock split.

Revenue Recognition and Allowance for Doubtful Accounts

Equinix derives its revenues from (1) recurring revenue streams, consisting primarily of colocation services, such as the leasing of cabinet space, power and bandwidth; interconnection services, such as cross connects; and managed infrastructure services, such as backup and recovery and various e-business services and (2) non-recurring revenue streams, such as from the recognized portion of deferred installation revenues, professional services, contract settlements and equipment sales. Revenues from recurring revenue streams are billed monthly and recognized ratably over the term of the contract, generally one to three years. Non-recurring installation fees are deferred and recognized ratably over the term of the related contract. Professional service fees are recognized in the period in which the services were provided and represent the culmination of the earnings process. Fees for the provision of e-business services are recognized progressively as the services are rendered in accordance with the contract terms, except where the future costs cannot be reliably estimated, in which case fees are recognized upon the completion of services. Revenue from contract settlements is recognized on a cash basis for prior unrecognized services when no remaining performance obligations exist. The Company generally guarantees certain service levels, such as uptime, as outlined in individual customer contracts. To the extent that these service levels are not achieved, the Company reduces revenue for any credits given to the customer as a result. The Company has the ability to determine such service level credits prior to the associated revenue being recognized, and historically, these credits have not been significant.

Revenue is recognized as the service is provided when there is persuasive evidence of an arrangement, the fee is fixed or determinable and collection of the receivable is reasonably assured. It is customary business practice to obtain a signed master sales agreement and sales order prior to recognizing revenue in an arrangement. The Company assesses probability of collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. The Company does not request collateral from its customers. If the Company determines that collection of a fee is not reasonably assured, the Company defers the fee and recognizes revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash. In addition, Equinix also maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments for those customers that the Company had expected to collect the revenues. If the financial condition of Equinix's customers were to deteriorate or if they become insolvent, resulting in an impairment of their ability to make payments, allowances for doubtful accounts may be required. Management specifically analyzes accounts receivable and current economic news and trends, historical bad debts, customer concentrations, customer credit-worthiness and changes in customer payment terms when evaluating revenue recognition and the adequacy of the Company's reserves.

In February and March 2002, the Company entered into arrangements with numerous vendors to resell equipment and bandwidth, including two related parties. The Company began to offer such services in an effort to provide its customers a more fully-integrated services solution. Under the terms of the reseller agreements, the Company will sell the vendors' services or products to its customers and the Company will contract with the vendor to provide the related services or products. The Company recognizes revenue from such arrangements on a gross basis in accordance with EITF Abstract No. 99-19, "Recording Revenue as a Principal versus Net as an Agent". The Company acts as the principal in the transaction as the Company's customer services agreement identifies the Company as the party responsible for the fulfillment of product/ services to the Company's customers and has full pricing discretion. In the case of products sold under such arrangements, the Company takes title to the products and bears the inventory risk as the Company has made minimum purchase commitments to various vendors. The Company has credit risk, as it is responsible for collecting the sales price from a customer, but must pay the amount owed to its suppliers after the suppliers perform, regardless of whether the sales price is fully collected. In addition, the Company will often determine the required equipment configuration and recommend bandwidth providers from numerous potential suppliers. The Company had no equipment sales during the three and nine months ended September 30, 2003. For the three and nine months ended September 30, 2002, the Company recognized revenue of $190,000 and $2.9 million, respectively, from the sale of equipment. The Company does not expect to enter into significant equipment resales in the future. For the three and nine months ended September 30, 2003, the Company recognized revenue of $1.0 million and $2.4 million, respectively, from the sale of bandwidth. For the three and nine months ended September 30, 2002, the Company recognized revenue of $413,000 and $525,000, respectively, from the sale of bandwidth.

Net Loss per Share

The Company computes net loss per share in accordance with SFAS No. 128, "Earnings per Share," and SEC Staff Accounting Bulletin ("SAB") No. 98. Under the provisions of SFAS No. 128 and SAB No. 98 basic and diluted net loss per share are computed using the weighted average number of common shares outstanding. Options, warrants and preferred stock were not included in the computation of diluted net loss per share because the effect would be anti-dilutive.

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

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Numerator:				
Net loss	$ (19,718)	$ (44,088)	$ (66,474)	$ (82,339)
Historical:				
Denominator:				
Weighted average shares	9,294	3,157	8,840	2,957
Weighted average unvested shares subject to repurchase	(1)	(16)	(3)	(29)
Total weighted average shares	9,293	3,141	8,837	2,928
Net loss per share:				
Basic and diluted	$ (2.12)	$ (14.04)	$ (7.52)	$ (28.12)

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

	September 30, 2003	September 30, 2002
Series A preferred stock	1,868,667	—
Series A preferred stock warrant	965,674	—
Shares reserved for conversion of convertible secured notes	5,921,275	—
Common stock warrants	245,882	65,831
Common stock options	3,500,481	722,625
Common stock subject to repurchase	527	13,511

Stock-Based Compensation

The Company accounts for its stock-based compensation arrangements with employees using the intrinsic-value method in accordance with Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees”. Deferred stock-based compensation is recorded on the date of grant when the deemed fair value of the underlying common stock exceeds the exercise price for stock options or the purchase price of common stock.

Deferred stock-based compensation resulting from option grants to employees is amortized on an accelerated basis over the vesting period of the individual options, generally four years, in accordance with FASB Interpretation No. 28, “Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans”.

Primarily as a result of employee stock options being granted at exercise prices below fair market value prior to the Company’s initial public offering (“IPO”) in August 2000, the Company recorded a deferred stock-based compensation charge on its balance sheet of $54,537,000 in 2000, which is being amortized over the four-year vesting life of these individual stock options net of the reversal of any previously recorded accelerated stock-based compensation expense due to the forfeitures of those stock options prior to vesting. In addition, in September 2003, the Board of Directors awarded a stock option grant to the Company’s chief executive officer at a 15% discount to the then fair market value of the Company’s common stock on the date of grant and, as a result, recorded a $1,093,000 deferred stock-based compensation charge, which will be amortized over the three-year vesting life of this grant. As of September 30, 2003, there was $1,636,000 of deferred stock-based compensation remaining to be amortized. The Company expects stock-based compensation expense to impact its results of operations through 2006.

The following table presents, by operating expense, the Company’s amortization of stock-based compensation expense (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Cost of revenues	$ (16)	$ 49	$ 49	$ 216
Sales and marketing	61	218	243	802
General and administrative	447	1,225	1,868	4,622
	$492	$ 1,492	$ 2,160	$ 5,640

The Company has adopted the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – An Amendment of SFAS No. 123". The following table presents what the net loss and net loss per share would have been had the Company adopted SFAS No. 123 (in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Net loss as reported	$ (19,718)	$ (44,088)	$ (66,474)	$ (82,339)
Stock-based compensation expense included in net loss	492	1,492	2,160	5,640
Stock-based compensation expense if SFAS No.123 had been adopted	(2,011)	(2,982)	(8,104)	(10,356)
Pro forma net loss	$ (21,237)	$ (45,578)	$ (72,418)	$ (87,055)
Basic and diluted net loss per share:				
As reported	$ (2.12)	$ (14.04)	$ (7.52)	$ (28.12)
Pro forma	(2.29)	(14.51)	(8.19)	(29.73)

The Company's fair value calculations for employee grants were made using the Black-Scholes option pricing model with the following weighted average assumptions used for the periods presented: 0% dividend yield, 135% expected volatility; 3.75% risk-free interest rate and an expected life of 3.5 years.

Asset Retirement Costs

In June 2001, the FASB approved SFAS No. 143. SFAS No. 143 establishes accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. The fair value of a liability for an asset retirement obligation is to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized and included as part of the carrying value of the long-lived asset and amortized over the useful life of the asset. Subsequent to the initial measurement, the Company is accreting the liability in relation to the asset retirement obligation over time and the accretion expense is being recorded as a cost of revenue. SFAS No. 143 was effective for the Company beginning on January 1, 2003 and the adoption of SFAS No. 143 did not have a material impact on the Company's financial statements.

Intangible Assets

In July 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 142, “Goodwill and Other Intangible Assets,” which is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 provides, among other things, that goodwill should not be amortized after its initial recognition in financial statements. In addition, the standard includes provisions for testing for impairment of existing goodwill and other intangibles. As of January 1, 2002, the Company adopted SFAS No. 142 and recorded goodwill as part of the Combination, which closed on December 31, 2002 (see Note 2). In lieu of amortization, the Company is required to perform an impairment review of its goodwill balance on at least on an annual basis and upon the initial adoption of SFAS No. 142. This impairment review involves a two-step process as follows:

Step 1 — The Company compares the fair value of its reporting units to the carrying value, including goodwill of each of those units. For each reporting unit where the carrying value, including goodwill, exceeds the unit’s fair value, the Company moves on to step 2. If a unit’s fair value exceeds the carrying value, no further work is performed and no impairment charge is necessary.

Step 2 — The Company performs an allocation of the fair value of the reporting unit to its identifiable tangible and non-goodwill intangible assets and liabilities. This derives an implied fair value for the reporting unit’s goodwill. The Company then compares the implied fair value of the reporting unit’s goodwill with the carrying amount of the reporting unit’s goodwill. If the carrying amount of the reporting unit’s goodwill is greater than the implied fair value of its goodwill, an impairment charge would be recognized for the excess.

Intangible assets, net, consisted of the following (in thousands):

	September 30, 2003	December 31, 2002
	(unaudited)	
Goodwill	$ 21,508	$ 21,081
Intangible asset – customer contracts	2,263	3,600
Intangible asset – tradename	75	300
	$ 23,846	$ 24,981

Other identifiable intangible assets, comprised of customer contracts and tradename, are carried at cost, less accumulated amortization. No amortization was recognized in fiscal 2002 as the Combination was consummated on December 31, 2002. Beginning in fiscal 2003, the Company began to amortize these other identifiable intangibles on a straight-line basis over their estimated useful lives, which are two years for customer contracts and one year for the tradename. For the three and nine months ended September 30, 2003, the Company recorded $518,000 and $1,562,000 of amortization expense, respectively, related to these intangible assets. Total amortization for 2003 and 2004 is expected to be approximately $2.1 and $1.8 million, respectively.

2. The Combination

Acquisition of i-STT

On December 31, 2002, a wholly-owned subsidiary of the Company acquired all issued and oustanding shares of i-STT from STT Communications (the "i-STT Acquisiton"). i-STT is a similar business to that of Equinix with IBX hub operations in Singapore and Thailand. The entire purchase price of $34,365,000 was comprised of (i) 1,868,667 shares of the Company's Series A preferred stock and 1,084,686 shares of the Company's common stock, with a total value of $31,187,000 and (ii) total cash consideration and direct transaction costs of $3,178,000.

The Company accounted for the i-STT Acquisition using the purchase method. The preliminary purchase price, including direct merger costs, have been allocated to the net tangible and intangible assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. Included in the net liabilities assumed, is an accrual of $400,000 representing the estimated costs to exit from an undeveloped IBX hub leasehold interest in Shanghai, China, and liquidiate this subsidiary. The Company completed the exit of this lease during the second quarter of 2003. During the quarter ended March 31, 2003, the Company recorded an adjustment to increase the goodwill acquired in the i-STT Acquisition by $650,000 as a result of the decision to wind-down the joint venture in Thailand, i-STT Nation Limited. The Company estimates that its share of the costs to shut down the joint venture will not exceed $650,000. The Company funded a significant portion of these wind-down costs during the third quarter of 2003 and expects to complete this effort by the end of 2003. During the quarter ended June 30, 2003, the Company recorded several adjustments to the provisional purchase price allocation following the resolution of certain contingencies totaling $290,000. While the Company does not expect there will be any additional changes to the Company's preliminary purchase price due to any unknown contingent liabilities or purchase price adjustments, any subsequent adjustment to the purchase price would result in a further change to the amount of goodwill carried on the balance sheet.

Acquisition of Pihana

On December 31, 2002, a wholly-owned subsidiary of the Company merged with and into Pihana (the "Pihana Acquisiton"). Pihana is a similar business to that of Equinix with IBX hub operations in Singapore, Tokyo, Sydney, Hong Kong, as well as Los Angeles and Honolulu in the U.S. The entire purchase price of $28,376,000 was comprised of (i) 2,416,379 shares of the Company's common stock, with a total value of $25,517,000, (ii) total cash consideration and direct transaction costs of $2,683,000 and (iii) the value of Pihana shareholder warrants assumed in the Pihana Acquisition of $176,000 (the "Pihana Shareholder Warrants").

The Company accounted for the Pihana Acquisition using the purchase method. The preliminary purchase price, including direct merger costs, have been allocated to assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. Included in the net liabilities assumed are total restructuring charges of $9,470,000, which relate primarily to the exit of the undeveloped portion of the Pihana Los Angeles IBX hub leasehold, severance related to an approximate 30% reduction in workforce, including several officers of Pihana and some transaction-related professional fees. A substantial portion of these costs were paid during the first half of 2003 (see below). Prior to December 31, 2002, Pihana sold their Korean IBX hub operations, which was excluded from the Pihana Acquisition, terminated or amended several operating leaseholds and recorded a substantial impairment charge against the value of their property and equipment assumed in the Pihana Acquisition. While the Company does not expect there will be any changes to the Company's preliminary purchase price due to any unknown contingent liabilities or purchase price adjustments, any subsequent adjustment to the purchase price would result in a further change to the amount of property and equipment assumed in the Pihana Acquisition.

Acquired Restructuring Accruals

As a result of the Combination, the Company acquired several accruals related to restructuring activities from both i-STT and Pihana, which were commenced in 2002, but will not be completed until 2003. A summary of the changes in accrued restructuring charge from December 31, 2002 to September 30, 2003 is outlined as follows (in thousands) (unaudited):

	Acquired restructuring accruals as of December 31, 2002	Purchase price adjustments	Cash payments	Acquired restructuring accruals as of September 30, 2003
Workforce reduction and related costs	$ 5,712	$ —	$ (5,320)	$ 392
Lease exit and office shutdown costs	1,735	—	(1,218)	517
Other professional fees	2,423	—	(2,358)	65
Thailand joint venture accrual	—	650	(505)	145
	$ 9,870	$ 650	$ (9,401)	$ 1,119

During the first quarter of 2003, the Company recorded a liability of $650,000 as a result of the decision to wind-down the joint venture in Thailand, i-STT Nation Limited, which was recorded as an adjustment to the goodwill acquired in the i-STT Acquisition. The Company expects to complete the costs of wind-down by the end of 2003.

A significant portion of the above remaining activities will be completed and paid during the fourth quarter of 2003.

Unaudited Pro Forma Consolidated Combined Results

The operating results of i-STT and Pihana were included in the Company’s consolidated statements of operations and cash flows commencing on December 31, 2002. The following unaudited pro forma financial information presents the consolidated results of the Company as if the i-STT Acquisition and Pihana Acquisition had occurred as of January 1, 2002, and includes adjustments to exclude the Korean operations not acquired in the Pihana Acquisiton. This unaudited pro forma financial information does not necessarily reflect the results of operations as they would have been if the Company had acquired these entities as of January 1, 2002. Unaudited pro forma consolidated results of operations are as follows (in thousands, except per share data):

	Three months ended September 30, 2002	Nine months ended September 30, 2002
Revenues	$ 24,900	$ 69,545
Net loss	(53,221)	(114,666)
Basic and diluted net loss per share	(8.01)	(17.84)

3. Related Party Transactions

As a result of the Combination, the Company acquired operations in Asia-Pacific. The majority of the Company's Asia-Pacific revenues are generated in Singapore and a significant portion of the business in Singapore is transacted with entities affiliated with STT Communications, which is the Company's single largest stockholder. For the three and nine months ended September 30, 2003, revenues recognized with entities affiliated with STT Communications were $1,626,000 and $4,633,000, respectively, and as of September 30, 2003, accounts receivable with entities affiliated with STT Communications was $1,783,000. For the three and nine months ended September 30, 2003, costs and services procured with entities affiliated with STT Communications were $159,000 and $430,000, respectively, and as of September 30, 2003, accounts payable with entities affiliated with STT Communications was $402,000. Furthermore, during 2003, the Company entered into an agreement with STT Communications to wind-down the Company's Thailand joint venture (see Note 11). In October 2003, the Company entered into an asset sale agreement with a related party company (see Note 16).

In addition, in February and March 2002, the Company entered into equipment reseller agreements with related party companies and recognized revenue of $190,000 and $2.9 million, respectively, for the three and nine months ended September 30, 2002 under these agreements. The Company had no equipment sales during the three and nine months ended September 30, 2003 (see Note 1).

4. Accounts Receivable

Accounts receivable, net, consisted of the following (in thousands):

	September 30, 2003	December 31, 2002
	(unaudited)	
Accounts receivable	$ 17,443	$ 16,017
Unearned revenue	(7,610)	(6,468)
Allowance for doubtful accounts	(440)	(397)
	$ 9,393	$ 9,152

Unearned revenue consists of pre-billing for services that have not yet been provided, but which have been billed to customers ahead of time in accordance with the terms of their contract. Accordingly, the Company invoices its customers at the end of a calendar month for services to be provided the following month.

5. Restricted Cash

In December 2002, the Company funded a Senior Note interest payment due on December 1, 2002 to the trustee of the Senior Notes, totaling $1,981,000, with cash that was classified as current restricted cash on the accompanying balance sheet as of December 31, 2002. In January 2003, the trustee of the Senior Notes released this restricted cash to the holders of the Senior Notes.

6. Prepaids and Other Current Assets

Prepaids and other current assets consist of the following (in thousands):

	September 30, 2003	December 31, 2002
	(unaudited)	
Prepaid rent	$ 1,479	$ 4,913
Prepaid insurance	1,267	1,507
Prepaid other	1,461	1,142
Taxes receivable	2,263	2,391
Other current assets	82	1,193
	$ 6,552	$ 11,146

7. Property and Equipment

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

	September 30, 2003	December 31, 2002
	(unaudited)	
Leasehold improvements	$ 381,395	$ 384,334
IBX plant and machinery	62,099	61,761
Computer equipment and software	18,195	17,580
IBX equipment	35,263	33,677
Furniture and fixtures	1,913	2,522
	498,865	499,716
Less accumulated depreciation	(151,019)	(109,826)
	$ 347,846	$ 390,048

Leasehold improvements, certain computer equipment, software and furniture and fixtures recorded under capital leases aggregated none and $5,779,000 at September 30, 2003 and December 31, 2002, respectively. Amortization on the assets recorded under capital leases is included in depreciation expense. In June 2003, the Company entered into an early termination agreement with Comdisco and settled its remaining capital lease obligations with Comdisco and obtained title to all leased assets under the original agreement (see Note 9).

Included within leasehold improvements is the value attributed to the earned portion of several warrants issued to certain fiber carriers and our contractor totaling $9,883,000 at both September 30, 2003 and December 31, 2002. Amortization of such warrants is included in depreciation expense.

During the quarter ended March 31, 2003, the Company moved into its new corporate headquarter office in Foster City, California, from Mountain View, California, and as a result, disposed of approximately $4,569,000 of fully depreciated property and equipment, primarily leasehold improvements and furniture and fixtures.

8. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	September 30, 2003	December 31, 2002
	(unaudited)	
Accrued merger and financing costs	$ 10	$ 4,488
Accrued compensation and benefits	2,442	2,548
Accrued taxes	1,579	690
Accrued utility and security	1,540	771
Accrued professional fees	932	1,046
Accrued property and equipment	431	1,304
Accrued rent and lease operating expenses	1,104	691
Accrued repairs and maintenance	553	528
Accrued other	1,644	1,038
	$ 10,235	$ 13,104

9. Debt Facilities

Wells Fargo Loan

In January 2003, the Company entered into a settlement agreement with Wells Fargo in connection with a lawsuit related to the Wells Fargo Loan (the "Wells Fargo Settlement"). In compliance with the terms of the Wells Fargo Settlement, in February 2003, the Company paid Wells Fargo $1,703,000 in full satisfaction of all amounts owed to Wells Fargo, including the $1,631,000 in principal recorded within the current portion of debt facilities and capital lease obligations on the Company's accompanying balance sheet as of December 31, 2002. As part of the Wells Fargo Settlement, the lawsuit was dismissed and the Wells Fargo Loan terminated.

Comdisco Master Lease Agreement and Addendum

In June 2003, the Company entered into an early termination agreement with Comdisco Ventures, Inc. ("Comdisco"), with whom the Company had earlier entered into the Comdisco Master Lease Agreement and Addendum during 1999 (the "Comdisco Early Termination Agreement"). Pursuant to the terms of the Comdisco Early Termination Agreement, upon receiving the proceeds from the Crosslink Financing (see below), the Company paid Comdisco $1,867,000 in full satisfaction of all amounts owed to Comdisco, including the $1,851,000 in principal recorded within both the current and non-current portions of debt facilities and capital lease obligations on the Company's accompanying balance sheet as of December 31, 2002. As part of the Comdisco Early Termination Agreement, the Company obtained title to all leased assets under the original Comdisco Master Lease Agreement and Addendum.

The Financing

On May 1, 2003, pursuant to the terms of the Financing (see Note 1), the Company issued the first PIK Note to STT Communications in the amount of $1,400,000, representing interest accrued from December 31, 2002. The terms of the PIK Note are identical to the terms of the Convertible Secured Note issued on December 31, 2002. The PIK Note is due December 2007. The Company has considered the guidance of EITF Abstract No. 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments," and has determined that the PIK Note does not contain a beneficial conversion feature as the fair value of the Company's common stock on the date of issuance, was less than the stock conversion ratio outlined in the Financing agreement. This PIK Note is convertible into 152,541 shares of the Company's stock.

Crosslink Financing

In April 2003, the Company and certain of its subsidiaries, along with STT Communications and its affiliate, entered into a Securities Purchase and Admission Agreement with various entities affiliated with Crosslink Capital ("Crosslink") for a $10,000,000 investment in the Company by Crosslink in the form of convertible secured notes (the "Crosslink Convertible Secured Notes"), convertible into shares of the Company's common stock, with detachable warrants for the further issuance of 500,000 shares of common stock (the "Crosslink Convertible Secured Note Warrants") (collectively, the "Crosslink Financing"). This transaction closed in June 2003 and the Crosslink Convertible Secured Note Warrants were also fully exercised in June 2003. The Crosslink Convertible Secured Notes bear non-cash interest at a rate of 10% per annum, commencing on the second anniversary of the closing of the Crosslink Financing, payable semi-annually in arrears on May 1 and November 1, and have an initial term through November 2007. Interest on the Crosslink Convertible Secured Notes will be payable in kind in the form of additional convertible secured notes having a principal amount equal to the amount of interest then due having terms which are similar to the terms of the Crosslink Convertible Secured Notes (the "Crosslink PIK Notes").

The Crosslink Convertible Secured Notes are convertible into shares of the Company's common stock at a price of $4.00 per underlying share at any time at the option of the holders. The Crosslink PIK Notes will be convertible into shares of the Company's common stock at a price of $4.84 per underlying share at any time at the option of the holders. Such conversion prices will be adjusted to mitigate or prevent dilution if fundamental changes occur to the Company's common stock, dividends are declared on the Company's common stock or the Company issues, or contracts to issue, shares of the Company's common stock at a price per share below $4.84 per share. Following the second anniversary of the closing of the Crosslink Financing, 100% of the Crosslink Convertible Secured Notes will automatically convert if:

- the average closing price of the Company's common stock exceeds $15.66 for thirty consecutive trading days;
- the average daily trading volume of the Company's common stock during that thirty day trading window exceeds 17,188; and
- the Company has not received an election not to convert the Crosslink Convertible Secured Notes within five days of receiving notice from the Company that the closing price and volume requirements discussed above have been met.

If Crosslink elects not to convert the Crosslink Convertible Secured Notes within such five-day period, the Crosslink Convertible Secured Notes and any Crosslink PIK Notes will no longer be convertible into shares of the Company's common stock. The Company must offer to purchase the Crosslink Convertible Secured Notes and any outstanding Crosslink PIK Notes together with any accrued and unpaid interest if the Company experiences a change of control, as defined. Furthermore, the Company has issued to Crosslink, Change in Control Warrants and Cash Trigger Warrants similar to those issued to STT Communications in connection with the Financing.

The Crosslink Convertible Secured Note Warrants were valued at $2,796,000 and is reflected as a discount to the Crosslink Convertible Secured Notes on the accompanying consolidated balance sheet as of June 30, 2003. The fair value of the Crosslink Convertible Secured Note Warrants was calculated under the provisions of APB Opinion No. 14 and determined using the Black-Scholes option-pricing model under the following assumptions: contractual life of five years, risk-free interest rate of 4%, expected volatility of 135% and no expected dividend yield. The Company has considered the guidance of EITF Abstract No. 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments," and has determined that the Crosslink Convertible Secured Notes do contain a beneficial conversion feature. The beneficial conversion feature was valued at $7,204,000 (the "Crosslink Beneficial Conversion Feature"), and is reflected as a discount to the Crosslink Convertible Secured Notes on the accompanying consolidated balance sheet as of September 30, 2003. The combined values of both the Crosslink Convertible Secured Note Warrants and the Crosslink Beneficial Conversion Feature, totaling $10,000,000, are being amortized using the effective interest rate method to interest expense over the term of the Crosslink Convertible Secured Notes.

The Crosslink Convertible Secured Notes share with the Company's Convertible Secured Note issued on December 31, 2002, in connection with the Financing, a second priority security interest in all of the collateral securing the Company's obligations under the Credit Facility, which excludes the i-STT assets and Pihana's Singapore assets that the Company acquired in the Combination (see Note 2). The Crosslink Convertible Secured Notes are guaranteed by all of the Company's existing subsidiaries and by all of the Company's future domestic subsidiaries.

The costs related to the Crosslink Financing were capitalized and are being amortized to interest expense using the effective interest rate method over the life of the Crosslink Convertible Secured Notes. Debt issuance costs, net of amortization, are $464,000 as of September 30, 2003.

As a result of the Crosslink Financing, and pursuant to the anti-dilution provisions contained in the Financing documents for the Convertible Secured Note issued on December 31, 2002, shares reserved for the conversion of the Convertible Secured Note increased from 2,785,205 to 3,268,734. Furthermore, as a result of the Crosslink Financing, and pursuant to the terms of the amended Credit Facility, the amortization schedule defined under the Credit Facility was adjusted by accelerating $5,000,000 of principal previously scheduled to be repaid during 2005 into 2004.

The Convertible Secured Note and PIK Notes issued in connection with the Financing, the Crosslink Convertible Secured Notes and the Crosslink PIK Notes are collectively referred to herein as the "Convertible Secured Notes".

Maturities

Combined aggregate maturities for the Company's various debt facilities and capital lease obligations, Credit Facility, Senior Notes and Convertible Secured Notes as of September 30, 2003 are as follows (in thousands) (unaudited):

	Debt facilities & capital lease obligations	Credit facility	Senior notes	Convertible secured notes	Total
2003	$ 864	$ 990	$ —	$ —	$ 1,854
2004	2,907	11,981	—	—	14,888
2005	729	77,548	—	—	78,277
2006	—	—	—	—	—
2007	—	—	30,475	41,400	71,875
	4,500	90,519	30,475	41,400	166,894
Less amount representing unamortized discount	(163)	—	(1,333)	(12,925)	(14,421)
	4,337	90,519	29,142	28,475	152,473
Less current portion	(2,933)	(9,481)	—	—	(12,414)
	$ 1,404	$ 81,038	$ 29,142	$ 28,475	$ 140,059

10. Stockholders' Equity

On January 1, 2003, pursuant to the provisions of the Company's stock plans, the number of common shares in reserve automatically increased by 506,921 shares for the 2000 Equity Incentive Plan, 168,974 shares for the Employee Stock Purchase Plan and 50,000 shares for the 2000 Director Stock Option Plan.

In March 2003, the Board of Directors granted options to all employees as part of an annual grant to all employees, including all officers of the Company, to purchase 2,663,600 shares of common stock at a weighted average exercise price of $3.25 per share under the Plans.

In June 2003, the Crosslink Convertible Secured Note Warrants were fully exercised resulting in an additional 500,000 shares of the Company's common stock being issued and outstanding as of June 30, 2003 (see Note 9).

In September 2003, the Board of Directors awarded a stock option grant to the Company's chief executive officer to purchase 350,000 shares of the Company's common stock at an exercise price of $17.70, a 15% discount to the then fair market value of the Company's common stock on the date of grant. This resulted in the Company recording a new deferred stock-based compensation charge of $1,093,000, which will be amortized to stock-based compensation expense over the three-year vesting life of this grant (see Note 1).

11. Commitments and Contingencies

Capital Expenditures

In September 2003, a wholly-owned subsidiary of the Company entered into a new customer contract which requires expansion of the Singapore IBX hub acquired in the i-STT Acquisition (the “Singapore Customer Contract”). The Singapore Customer Contract requires that this incremental space be available for service by the end of February 2004, otherwise the Company will be required to pay damages of 2,000 Singapore dollars per day up to a maximum of 50 days or 100,000 Singapore dollars (approximately $58,000 as translated using effective exchange rates at September 30, 2003) to this customer. In order for the Company to meet the requirements of the Singapore Customer Contract, it will need to spend approximately $3.5 million in capital expenditures to prepare the new floor of the Singapore IBX hub for this customer (see below). The Company expects to incur a significant amount of this $3.5 million in capital expenditures during the fourth quarter of 2003.

Operating Lease Commitments

In February 2003, the Company entered into a new corporate headquarter lease in Foster City, California, which commenced March 2003 and ends in March 2008 and prepaid rent through December 31, 2003. In March 2003, the Company terminated its Mountain View, California, corporate headquarter lease and moved its corporate headquarters to the new office facility in Foster City.

In September 2003, a wholly-owned subsidiary of the Company entered into a new operating lease in which it expanded the Singapore IBX hub acquired in the i-STT Acquisition in order to meet the space requirements of the Singapore Customer Contract referred to above. The Company took possession of this new floor space in October 2003 and the initial lease term ends in December 2006; however, the Company also has a renewal option within the lease.

Contingent Liabilities

During the quarter ended September 30, 2001, putative shareholder class action lawsuits were filed against the Company, certain of its officers and directors, and several investment banks that were underwriters of the Company’s initial public offering. The cases were filed in the United States District Court for the Southern District of New York, purportedly on behalf of investors who purchased the Company’s stock between August 10, 2000 and December 6, 2000. The suits allege that the underwriter defendants agreed to allocate stock in the Company’s initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. The plaintiffs allege that the prospectus for the Company’s initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. It is possible that additional similar complaints may also be filed. In July 2003, A Special Litigation Committee of the Equinix Board of Directors agreed to participate in a settlement with the plaintiffs that is anticipated to include most of the approximately 300 defendants in similar actions. This settlement agreement is subject to court approval and sufficient participation by all defendants in similar actions. Such settlement includes without limitation a guarantee of payments to the plaintiffs in the lawsuits, assignment of certain claims against the underwriters in the Company’s IPO to the plaintiffs, and a dismissal of all claims against Equinix and related individuals. Other than legal fees incurred to date, the Company expects that all expenses of settlement, if any, will be paid by the Company’s insurance carriers. Until such settlement is finalized, the Company and its officers and directors intend to continue to defend the actions vigorously. The Company believes it has adequate legal defenses and believes that the ultimate outcome of these actions will not have a material effect on the Company’s consolidated financial position, results of operations or cash flows, although there can be no assurance as to the outcome of such litigation. Furthermore, no range of loss can be estimated at this time.

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

Guarantor Arrangements

In November 2002, the FASB issued FIN No. 45 “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34 (“FIN 45”). FIN 45 requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken by issuing the guarantee. FIN 45 also requires additional disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees it has issued. The accounting requirements for the initial recognition of guarantees are applicable on a prospective basis for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for all guarantees outstanding, regardless of when they were issued or modified, during the first quarter of fiscal 2003. The following is a summary of the agreements that the Company has determined are within the scope of FIN 45.

As permitted under Delaware law, the Company has agreements whereby the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Company’s request in such capacity. The term of the indemnification period is for the officer’s or director’s lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits the Company’s exposure and enables the Company to recover a portion of any future amounts paid. As a result of the Company’s insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The majority of these indemnification agreements were grandfathered under the provisions of FIN 45 as they were in effect prior to December 31, 2002. Accordingly, the Company has no significant liabilities recorded for these agreements as of September 30, 2003.

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally the Company’s business partners or customers, in connection with any U.S. patent, or any copyright or other intellectual property infringement claim by any third party with respect to the Company’s services. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. The majority of these indemnification agreements were grandfathered under the provisions of FIN 45 as they were in effect prior to December 31, 2002. Accordingly, the Company has no significant liabilities recorded for these agreements as of September 30, 2003.

The Company enters into arrangements with its business partners, whereby the business partner agrees to provide services as a subcontractor for the Company's implementations. The Company may, at its discretion and in the ordinary course of business, subcontract the performance of any of its services. Accordingly, the Company enters into standard indemnification agreements with its customers, whereby the Company indemnifies them for other acts, such as personal property damage, of its subcontractors. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has general and umbrella insurance policies that enable the Company to recover a portion of any amounts paid. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. The majority of these arrangements were grandfathered under the provisions of FIN 45 as they were in effect prior to December 31, 2002. Accordingly, the Company has no significant liabilities recorded for these agreements as of September 30, 2003.

The Company has service level commitment obligations to certain of its customers. As a result, service interruptions or significant equipment damage in the Company's IBX hubs, whether or not within our control, could result in service level commitments to these customers. The Company's liability insurance may not be adequate to cover those expenses. In addition, any loss of services, equipment damage or inability to meet the Company's service level commitment obligations, particularly in the early stage of the Company's development, could reduce the confidence of the Company's customers and could consequently impair the Company's ability to obtain and retain customers, which would adversely affect both the Company's ability to generate revenues and the Company's operating results. Historically, these service level credits have not been significant. The majority of these arrangements were grandfathered under the provisions of FIN 45 as they were in effect prior to December 31, 2002. Accordingly, the Company has no significant liabilities for these agreements as of September 30, 2003.

Under the terms of the Combination Agreement, the Company was contractually obligated to use the Company's reasonable best efforts to obtain the release of STT Communications from a bank guarantee associated with i-STT's unconsolidated Thailand joint venture, i-STT Nation Limited. Such efforts included i-STT assuming such guarantee if it was commercially reasonable to do so. This guarantee was for 60% of a Thai baht 260,000,000 bank loan (approximately $6,188,000 as translated using effective exchange rates at June 30, 2003), of which Thai baht 58,300,000 was outstanding as of June 30, 2003 (approximately $1,388,000 as translated using effective exchange rates at June 30, 2003) (the "Thai Bank Loan"). In July 2003, the Company, STT Communications and their Thailand joint venture partner, Nation Digital Media Ltd. ("Nation Digital"), entered into an agreement to wind-down i-STT Nation Limited (the "Thailand Joint Venture Wind-Down Agreement"). Under the terms of the Thailand Joint Venture Wind-Down Agreement, Nation Digital obtained title to all assets of i-STT Nation Limited; STT Communications agreed to assume 100% of the Thai Bank Loan; and STT Communications and the Company agreed to fund the wind-down costs of i-STT Nation Limited. As of September 30, 2003, the Thai Bank Loan was repaid in full by STT Communications and the Company has funded its portion of wind-down costs incurred to date and expects to complete the wind-down effort by the end of 2003 (see Note 2). In addition, this arrangement was grandfathered under the provisions of FIN 45 as it was in effect prior to December 31, 2002. Accordingly, the Company has no liabilities recorded for the bank guarantee as of September 30, 2003.

Under the terms of the Combination Agreement (see Note 2), the Company is contractually obligated to use commercially reasonable efforts to ensure that at all times from and after the closing of the Combination, until such time as neither STT Communications nor its affiliates hold the Company's capital stock or debt securities (or the capital stock received upon conversion of the debt securities) received by STT Communications in connection with the Combination, that none of the Company's capital stock issued to STT Communications is constituted as "United States real property interests" within the meaning of Section 897(c) of the Internal Revenue Code of 1986. Under Section 897(c) of the Code, the Company's capital stock issued to STT Communications would generally constitute "United States real property interests" at such point in time that the fair market value of the "United States real property interests" owned by the Company equals or exceeds 50% of the sum of the aggregate fair market values of (a) the Company's "United States real property interests," (b) the Company's interests in real property located outside the U.S., and (c) any other assets held by the Company which are used or held for use in the Company's trade or business. The Company refers to this provision in the Combination Agreement as the FIRPTA covenant. Pursuant to the FIRPTA covenant, the Company may be forced to take commercially reasonable proactive steps to ensure the Company's compliance with the FIRPTA covenant, including, but not limited to, (a) a sale-leaseback transaction with respect to all real property interests, or (b) the formation of a holding company organized under the laws of the Republic of Singapore which would issue shares of its capital stock in exchange for all of the Company's outstanding stock (this reorganization would require the submission of that transaction to the Company's stockholders for their approval and the consummation of that exchange). Currently, the Company is in compliance with the FIRPTA covenant. This arrangement was grandfathered under the provisions of FIN 45 as it was in effect prior to December 31, 2002. Accordingly, the Company has no liabilities recorded related to non-compliance with the FIRPTA covenant as of September 30, 2003.

When as part of an acquisition the Company acquires all of the stock or all of the assets and liabilities of a company, we assume the liability for certain events or occurrences that took place prior to the date of acquisition. The maximum potential amount of future payments the Company could be required to make for such obligations is undeterminable at this time. All of these obligations were grandfathered under the provisions of FIN No. 45 as they were in effect prior to December 31, 2002. Accordingly, we have no liabilities recorded for these liabilities as of September 30, 2003.

12. Comprehensive Loss

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

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Net loss	$(19,718)	$(44,088)	$(66,474)	$(82,339)
Unrealized gain (loss) on available for sale securities	8	4	8	(16)
Foreign currency translation gain	486	6	58	427
Comprehensive loss	$(19,224)	$(44,078)	$(66,540)	$(81,928)

There were no significant tax effects on comprehensive loss for the three and nine months ended September 30, 2003 and 2002.

13. Segment Information

The Company and its subsidiaries are principally engaged in the design, build-out and operation of neutral IBX hubs. All revenues result from the operation of these IBX hubs. The Company's chief operating decision-maker evaluates performance, makes operating decisions and allocates resources based on financial data consistent with the presentation in the accompanying consolidated financial statements.

Due to the Combination (see Note 2), the Company acquired operations in Asia-Pacific effective December 31, 2002. As a result, the Company's consolidated balance sheet as of September 30, 2003, includes certain assets based in Asia-Pacific. In addition, commencing in fiscal 2003, the Company's consolidated statement of operations includes revenues and expenses from Asia-Pacific. In September 2001, the Company recorded a restructuring charge, primarily related to the Company's revised European strategy, and as a result, wrote-off all of the Company's European long-lived assets and began the process of winding down its development stage European operations.

The Company's geographic statement of operations disclosures are as follows (in thousands) (unaudited):

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Total revenues:				
United States	$ 25,764	$ 20,187	$ 71,525	$ 58,385
Asia-Pacific	5,155	—	13,263	—
	$ 30,919	$ 20,187	$ 84,788	$ 58,385
Cost of revenues:				
United States	$ 28,092	$ 26,217	$ 79,590	$ 78,881
Asia-Pacific	5,222	—	15,977	—
Europe	—	—	—	(282)
	$ 33,314	$ 26,217	$ 95,567	$ 78,599
Total loss from operations:				
United States	$(10,761)	$(36,087)	$(39,706)	$(83,396)
Asia-Pacific	(3,525)	—	(11,633)	—
Europe	—	—	—	(681)
	$(14,286)	$(36,087)	$(51,339)	$(84,077)

The Company's long-lived assets are located in the following geographic areas (in thousands) (unaudited)

	September 30, 2003	December 31, 2002
United States	$ 348,819	$ 389,369
Asia-Pacific	34,399	39,139
	$ 383,218	$ 428,508

Revenue from one customer accounted for 15% and 16%, respectively, of the Company's revenues for the three and nine months ended September 30, 2003. Revenue from the same customer accounted for 19% of the Company's revenues for the three and nine months ended September 30, 2002. No other single customer accounted for more than 10% of the Company's revenues for the three and nine months ended September 30, 2003 and 2002. Accounts receivable from one customer accounted for 15% of the Company's gross accounts receivable as of December 31, 2002. No other single customer accounted for more than 10% of the Company's gross accounts receivables as of September 30, 2003 and December 31, 2002.

14. Restructuring Charges

2001 Restructuring Charge

In September 2001, the Company recorded a restructuring charge primarily related to the Company's revised European strategy, as well as to exit several U.S. operating leaseholds. The European restructuring activity was largely completed during 2002. The Company continues to work on exiting from one remaining U.S. leasehold. A summary of the movement in the 2001 restructuring charge accrual from December 31, 2002 to September 30, 2003 is outlined as follows (in thousands) (unaudited):

	Accrued restructuring charge as of December 31, 2002	Non-cash charges	Cash payments	Accrued restructuring charge as of September 30, 2003
U.S. lease exit costs	$ 810	$ —	$ (576)	$ 234
	$ 810	$ —	$ (576)	$ 234

2002 Restructuring Charges

During 2002, the Company recorded restructuring charges to reflect, among other things, the Company's ongoing efforts to exit or amend several unnecessary U.S. IBX expansion and headquarter office space operating leaseholds, to complete the Company's European exit activities and for reductions in workforce of less than 10% in total employee headcount relating primarily to headquarter positions. The Company continues to work on an exit plan for one excess U.S. operating lease and expects to complete the exit of this U.S. operating lease within the next twelve months. Should it take longer to negotiate the exit of the remaining U.S. lease or the lease settlement amount exceeds the amounts estimated by management, the actual U.S. lease exit cost could exceed the amount estimated and an additional restructuring charge may be required.

The reductions in workforce undertaken in the second and fourth quarters of 2002, which represented a less than 10% reduction in workforce primarily in the Company's headquarter functions, resulted in approximately $2.8 million of annual savings. The reductions in workforce were substantially completed in January 2003.

A summary of the movement in the 2002 restructuring charges accrual from December 31, 2002 to September 30, 2003 is outlined as follows (in thousands) (unaudited):

	Accrued restructuring charge as of December 31, 2002	Non-cash charges	Cash payments	Accrued restructuring charge as of September 30, 2003
Additional lease exit costs	$ 392	$ —	$ (184)	$ 208
Workforce reductions	456	—	(456)	—
	$ 848	$ —	$ (640)	$ 208

Acquired Restructuring Accruals

As a result of the Combination, the Company acquired several accruals related to restructuring activities from both i-STT and Pihana, which were commenced in 2002, but will not be completed until 2003. As of September 30, 2003, a total of $1,119,000 remains accrued for these restructuring activities (see Note 2).

15. Recent Accounting Pronouncements

In November 2002, the EITF reached a consensus on Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables” (“EITF 00-21”). EITF 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company adopted the provisions of EITF 00-21 during the third quarter of 2003. The adoption of this statement has not had a material impact on the Company’s results of operations, financial position or cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.” FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after December 15, 2003. The Company is currently assessing the impact of the pronouncement on its consolidated financial statements, but believes that it will not have a material impact on the Company’s results of operations, financial position or cash flows.

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The new guidance amends SFAS No. 133 for decisions made as part of the Derivatives Implementation Group (“DIG”) process that effectively required amendments to SFAS No. 133, and decisions made in connection with other FASB projects dealing with financial instruments and in connection with implementation issues raised in relation to the application of the definition of a derivative and characteristics of a derivative that contains financing components. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company adopted the provisions of SFAS No. 149 during the third quarter of 2003. The adoption of this statement has not had a material impact on the Company’s results of operations, financial position or cash flows.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”. SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. To date, the impact of the effective provisions of SFAS No. 150 have not had a material impact on the Company’s results of operations, financial position or cash flows. The Company continues to assess the possible impact of potential changes to this pronouncement as and when they are announced.

16. Subsequent Events

In October 2003, the Company filed a shelf registration statement on Form S-3 that will enable the Company, or its selling stockholders, to sell shares of the Company's common stock. The aggregate of the offering prices from this shelf registration statement will not exceed $150.0 million. The number of shares that may be sold pursuant to the shelf registration statement will vary depending on the share price of the Company's common stock at the time of the sale.

In October 2003, a wholly-owned subsidiary of the Company entered into an asset sale agreement with an affiliated company of STT Communications (the "Buyer"), which is also a current customer of Equinix, in which (a) the Company exited from its IBX hub lease in Singapore that the Company acquired in the Pihana Acquisition (the "Pihana Singapore IBX Hub") effective September 30, 2003, (b) the Buyer has entered into a new lease agreement directly with the landlord for the Pihana Singapore IBX Hub, (c) the Company sold the related assets located in and transferred certain agreements related to the operations of the Pihana Singapore IBX Hub to the Buyer for one Singapore dollar, (d) the Company contemporaneously entered into a separate colocation agreement for a smaller portion of space in the Pihana Singapore IBX Hub for 60 months in which the Company will be the customer of the Buyer and (e) the Buyer has agreed to procure additional IBX hub services in the Company's other Singapore IBX hub that it acquired in the i-STT Acquisition (the "Singapore Asset Sale Agreement"). As a result of the Singapore Asset Sale Agreement, the Company surrendered several deposits related to the Pihana Singapore IBX Hub; however, this loss was offset by the write-off of the associated deferred rent and asset retirement obligation liabilities associated with the Pihana Singapore IBX Hub resulting in a nominal gain on asset sale, which will be recorded in the fourth quarter of 2003. As a result of this transaction, the Company will have only one primary IBX hub in Singapore (the one acquired in the i-STT Acquisition) rather than two.

In October 2003, the Company announced that it had entered into definitive agreements in which it would sublease a Sprint data center in Santa Clara and acquire certain related assets. The Company anticipates completing this proposed transaction with Sprint on December 1, 2003 subject to closing conditions contained in the definitive agreements. The Company is currently analyzing the accounting implications of this proposed transaction.

Item 2.

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

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

Overview

Equinix designs, builds and operates IBX hubs where Internet businesses place their equipment and their network facilities in order to interconnect with each other to improve Internet performance. Our IBX hubs and Internet exchange services enable network service providers, enterprises, content providers, managed service providers and other Internet infrastructure companies to directly connect with each other for increased performance. As of September 30, 2003, we had IBX hubs totaling an aggregate of more than one million gross square feet in the Washington, D.C., New York, Dallas, Chicago, Los Angeles, Honolulu and Silicon Valley areas in the United States and Singapore, Tokyo, Hong Kong and Sydney in the Asia-Pacific region.

Recent Developments. In October 2002, we entered into agreements to consummate a series of related acquisition and financing transactions. These transactions closed on December 31, 2002. Under the terms of these agreements, we combined our business with two similar businesses, that of i-STT Pte Ltd ("i-STT") and Pihana Pacific, Inc. ("Pihana"). i-STT's business was based in Singapore, with operations in Singapore and a joint venture in Thailand. During the quarter ended March 31, 2003, we recorded an adjustment to increase the goodwill acquired from the i-STT acquisition by $650,000 as a result of recording a liability related to our decision to wind-down the joint venture in Thailand. We completed the majority of this wind-down effort during the third quarter of 2003. Pihana's business was based in Hawaii, with operations in Honolulu, Los Angeles, Hong Kong, Singapore, Tokyo, and Sydney. In connection with the acquisition of i-STT and Pihana, we issued approximately 3.5 million shares of our common stock and approximately 1.9 million shares of our Series A preferred stock. We refer to this transaction as the "combination". In conjunction with the combination, we issued to i-STT's former parent company, STT Communications Ltd. ("STT Communications"), a $30.0 million convertible secured note in exchange for cash. We refer to this transaction as the "financing".

In April 2003, Equinix and certain of our subsidiaries and STT Communications entered into agreements with various entities affiliated with Crosslink Capital for a $10.0 million cash investment in Equinix in the form of additional convertible secured notes. This transaction closed in June 2003. We refer to this transaction as the "Crosslink financing".

In October 2003, the Company announced that it had entered into definitive agreements in which it would sublease a Sprint data center in Santa Clara and acquire certain related assets. The Company anticipates completing this proposed transaction with Sprint on December 1, 2003 subject to closing conditions contained in the definitive agreements.

As of September 30, 2003, we had $25.2 million of cash, cash equivalents and short-term investments. We believe that this cash and our anticipated cash flow generated from operations, will be sufficient to meet our working capital, debt service and corporate overhead requirements associated with our operations for the next twelve months.

In connection with the combination and financing, we amended the terms of the indenture governing our senior notes and extinguished $116.8 million of our senior notes in exchange for a combination of 1.9 million shares of our common stock and $15.2 million of cash. We refer to this transaction as the "senior note exchange". Because we extinguished the debt in the senior note exchange at a significant discount, we recognized a substantial gain on debt extinguishment during the fourth quarter of 2002.

Furthermore, in conjunction with the combination, financing and senior note exchange, we amended our credit facility, and on December 31, 2002, we completed a 32 for 1 reverse stock split of our common stock in order to comply with Nasdaq initial listing requirements. Unless otherwise noted, all share and per share amounts in this Quarterly Report on Form 10-Q have been adjusted to give effect to the reverse stock split.

Risks and Uncertainties. Since inception, we have experienced operating losses and negative cash flow. As of September 30, 2003 we had an accumulated deficit of $418.1 million and accumulated cash used in operating and construction activities of $714.7 million. Given our limited operating history, we may not generate sufficient revenue to achieve desired profitability. We therefore believe that we will continue to experience operating losses for the foreseeable future, particularly from our newly-acquired operations in the Asia-Pacific region. See "Other Factors Affecting Operating Results".

Under the terms of the amended credit facility, we must meet certain financial and non-financial covenants, including maintaining a monthly minimum cash balance. While these covenants were reset in December 2002 and are consistent with our expected future performance as a combined company, if we do not achieve the intended growth required or are unable to reduce costs to a level to comply with these covenants, we may be required to repay the $90.5 million currently outstanding under this facility. Since we do not have sufficient cash reserves to pay this outstanding obligation if an event of default occurs, we may be required to renegotiate with the debt issuers for forbearance, make other financial arrangements or take other actions in order to pay down the loan. There can be no assurance that such revised covenants will be met, or that we will be able to obtain a forbearance or that replacement financing will be available. In addition, a default in the credit facility will trigger cross-default provisions in our other debt facilities. If the cash flows from operations are not sufficient to support our cash requirements, cost reductions implemented as a result of this could adversely affect the business and our ability to achieve our business objectives.

Critical Accounting Policies and Estimates

Equinix's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for Equinix include revenue recognition and allowance for doubtful accounts, accounting for income taxes, contingent liabilities, accounting for property and equipment, impairment of long-lived assets and consolidation, which are discussed in more detail under the caption "Critical Accounting Policies and Estimates" in the Company's 2002 Annual Report on Form 10-K/A filed on April 25, 2003.

Results of Operations

Three Months Ended September 30, 2003 and 2002

Revenues. Our revenues for the three months ended September 30, 2003 and 2002 were geographically comprised of the following (dollars in thousands):

	Three months ended September 30,			
	2003	%	2002	%
U.S. revenues	$ 25,764	83%	$ 20,187	100%
Asia-Pacific revenues	5,155	17%	—	0%
Total revenues	$ 30,919	100%	$ 20,187	100%

Our geographic revenues for the three months ended September 30, 2003 and 2002 were split between the following revenue streams (dollars in thousands):

	Three months ended September 30,			
	2003	%	2002	%
Recurring revenues:				
U.S. recurring revenues	$ 24,246	78%	$ 15,936	79%
Asia-Pacific recurring revenues	4,113	14%	—	0%
	28,359	92%	15,936	79%
Non-recurring revenues:				
U.S. non-recurring revenues	1,518	5%	4,251	21%
Asia-Pacific non-recurring revenues	1,042	3%	—	0%
	2,560	8%	4,251	21%
Total revenues	$ 30,919	100%	$ 20,187	100%

We recognized revenues of $30.9 million for the three months ended September 30, 2003, as compared to revenues of $20.2 million for the three months ended September 30, 2002. Included in revenues for the three months ended September 30, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $6.6 million. We segment our business geographically between the U.S. and Asia-Pacific.

U.S. Revenues. We recognized U.S. revenues of $25.8 million for the three months ended September 30, 2003 as compared to $20.2 million for the three months ended September 30, 2002. U.S. revenues consisted of recurring revenues of $24.2 million and $15.9 million, respectively, for the three months ended September 30, 2003 and 2002, a 52% increase. Recurring revenues consist primarily of colocation services, such as the leasing of cabinet space and power, plus interconnection and managed infrastructure services. U.S. recurring revenues for the three months ended September 30, 2003 includes $1.4 million of revenues generated from the two U.S. IBX hubs acquired from Pihana on December 31, 2002 located in Los Angeles and Honolulu. Excluding this revenue from the two acquired U.S. IBX hubs, the period over period growth in recurring revenues was primarily the result of an increase in orders from existing customers and growth in our customer base from 266 U.S. customers as of September 30, 2002 to 392 U.S. customers as of September 30, 2003. We expect our U.S. recurring revenues to continue to grow and remain our most significant source of revenue for the foreseeable future.

In addition, U.S. revenues consisted of non-recurring revenues of $1.5 million and $4.3 million, respectively, for the three months ended September 30, 2003 and 2002. Non-recurring revenues are primarily related to the recognized portion of deferred installation revenue, custom service revenues, equipment resale revenue and settlement fees associated with certain contract terminations. The period over period decrease in U.S. non-recurring revenues was primarily the result of $2.9 million of settlement fees received during the three months ended September 30, 2002 from customers that terminated their contracts. There were no settlement fees received in the U.S. during the three months ended September 30, 2003. Installation and service fees are recognized ratably over the term of the contract. Custom service revenues are recognized upon completion of the services. Settlement fees are recognized on a cash basis for prior unrecognized services when no remaining performance obligations exist. Excluding any settlement fees that we may recognize in the future, we expect our U.S. non-recurring revenues to decrease as a percent of our recurring revenues in the foreseeable future.

Asia-Pacific Revenues. As a result of the combination that closed on December 31, 2002, we recognized $5.2 million of revenues in Asia-Pacific during the three months ended September 30, 2003. Prior to the combination we generated no revenues from outside of the United States. Asia-Pacific revenues consisted of recurring revenues of $4.1 million, primarily from colocation and managed infrastructure services, and non-recurring revenues of $1.1 million for the three months ended September 30, 2003, which includes settlement fees of $534,000 from a customer that terminated its contract. Asia-Pacific revenues are generated from Singapore, Tokyo, Hong Kong and Sydney. Our Asia-Pacific revenues streams are similar to the revenue streams that we generate from our U.S. IBX hubs; however, our Singapore IBX hub has additional managed infrastructure service revenue streams, such as mail service and managed platform solutions, which we do not currently offer in any other IBX hub location.

Cost of Revenues. Cost of revenues increased to $33.3 million for the three months ended September 30, 2003 from $26.2 million for the three months ended September 30, 2002. Included in cost of revenues for the three months ended September 30, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $6.3 million.

U.S. Cost of Revenues. U.S. cost of revenues increased to $28.1 million for the three months ended September 30, 2003 as compared to $26.2 million for the three months ended September 30, 2002. U.S. cost of revenues included $12.5 million and $12.2 million, respectively, of depreciation expense and a $16,000 stock-based compensation credit for the three months ended September 30, 2003 and $49,000 of stock-based compensation expense for the three months ended September 30, 2002. During the quarter ended September 30, 2003, we also recorded accretion expense associated with our asset retirement obligation relating to our various leaseholds, which consist primarily of our IBX hub operating leases, as required by a new accounting standard that we were required to adopt during 2003. In addition to depreciation, stock-based compensation and accretion expense, cost of revenues consists primarily of rental payments for our leased IBX hubs, site employees’ salaries and benefits, utility costs, power and redundancy system engineering support services and related costs and security services, which we refer to as our cash cost of revenues. Included in the U.S. cost of revenues for the three months ended September 30, 2003, were the operating costs associated with the Los Angeles and Honolulu IBX hubs acquired from Pihana in the combination on December 31, 2002, which totaled $1.1 million ($1.0 million excluding depreciation). Excluding depreciation, stock-based compensation, accretion expense and the costs of operating the acquired U.S. IBX hubs, U.S. cost of revenues increased period over period to $14.6 million for the three months ended September 30, 2003 from $13.8 million for the three months ended September 30, 2002, a 6% increase. This increase is primarily attributable to an increase in operating costs associated with certain of our IBX hubs as a result of (a) higher property taxes for certain IBX hubs and (b) increasing utility costs in line with increasing revenues for certain IBX hubs. This overall increase in U.S. cost of revenues is partially offset by reduced costs associated with the San Jose ground lease of $1.0 million as a result of the option that we exercised in September 2002 to return approximately one-half of the land commencing in October 2002. Included in the overall increase in U.S. cost of revenues period over period, is approximately $1.0 million of incremental property tax fees. Excluding the impact of these incremental property tax fees, we continue to anticipate that our cost of revenues will increase in the foreseeable future as the occupancy levels in our U.S. IBX hubs increase, although as a percent of revenues, we anticipate our cost of revenues will decline until such time as we reach certain pre-determined levels of profitability.

Asia-Pacific Cost of Revenues. As a result of the combination that closed on December 31, 2002, we incurred an additional $5.2 million in cost of revenues from our Asia-Pacific IBX hub operations during the three months ended September 30, 2003. Included in this number is $1.1 million of depreciation expense. Excluding depreciation expense, our acquired cost of revenues totaled $4.1 million for Asia-Pacific, which we refer to as our cash cost of revenues. Our Asia-Pacific cash cost of revenues consist of the same type of cash costs that we incur in our U.S. IBX hub operations, namely rental payments for our leased IBX hubs, site employees’ salaries and benefits, utility costs, power and redundancy system engineering support services and related costs and security services. Our Asia-Pacific cash costs of revenues are generated in Singapore, Tokyo, Hong Kong and Sydney. There are several managed IT infrastructure service revenue streams unique to our Singapore IBX hub, such as mail service and managed platform solutions, that are more labor intensive than our service offerings in the United States.

As a result, our Singapore IBX hub has a greater number of employees than any of our other IBX hubs, and therefore, a greater labor cost relative to our other IBX hubs in the United States or other Asia-Pacific locations. We anticipate that our Asia-Pacific cash cost of revenues will experience moderate growth in the foreseeable future in relation to any revenue growth.

Sales and Marketing. Sales and marketing expenses increased to $4.8 million for the three months ended September 30, 2003 from $2.9 million for the three months ended September 30, 2002. Included in sales and marketing expenses for the three months ended September 30, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $2.0 million.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses decreased to $2.8 million for the three months ended September 30, 2003 as compared to $2.9 million for the three months ended September 30, 2002. Included in U.S. sales and marketing expenses were $61,000 and $218,000, respectively, of stock-based compensation expense for the three months ended September 30, 2003 and 2002. Excluding stock-based compensation, U.S. sales and marketing expenses remained flat at $2.7 million for the three months ended September 30, 2003 and 2002. Excluding stock-based compensation, sales and marketing expenses consist primarily of cash compensation and related costs for sales and marketing personnel, sales commissions, bad debt expense, marketing programs, public relations, promotional materials and travel. We continue to closely monitor our spending in all areas of the Company. We expect to see a moderate increase in sales and marketing spending in the future, although as a percent of revenues, we anticipate a decline in sales and marketing spending until such time as we reach certain pre-determined levels of profitability.

Asia-Pacific Sales and Marketing Expenses. As a result of the combination that closed on December 31, 2002, we incurred an additional $2.0 million of sales and marketing expenses, comprised of $1.5 million in cash sales and marketing expenses from our Asia-Pacific operations during the three months ended September 30, 2003, and $518,000 of amortization expense. Our Asia-Pacific sales and marketing expenses consist of the same type of costs that we incur in our U.S. operations, namely compensation and related costs for sales and marketing personnel, sales commissions, bad debt expense, marketing programs, public relations, promotional materials and travel. Our Asia-Pacific sales and marketing expenses are generated in Singapore, Tokyo, Hong Kong and Sydney. We expect that our Asia-Pacific sales and marketing expenses will remain relatively flat in the foreseeable future. As a result of the combination that closed on December 31, 2002, we acquired several intangible assets that we amortize, namely the use of a tradename and certain customer contracts in Singapore valued at approximately $300,000 and $3.6 million, respectively. The tradename intangible asset is being amortized over one year and the customer contract intangible asset is being amortized over two years. As a result, we incurred a total of $518,000 of amortization expense during the three months ended September 30, 2003.

General and Administrative. General and administrative expenses decreased to $7.1 million for the three months ended September 30, 2003 from $8.2 million for the three months ended September 30, 2002. Included in general and administrative expenses for the three months ended September 30, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $1.4 million.

U.S. General and Administrative Expenses. U.S. general and administrative expenses decreased to $5.6 million for the three months ended September 30, 2003 as compared to $8.2 million for the three months ended September 30, 2002. Included in U.S. general and administrative expenses were $1.0 million and $1.9 million, respectively, of depreciation expense and $447,000 and $1.2 million, respectively, of stock-based compensation expense for the three months ended September 30, 2003 and 2002. Excluding depreciation and stock-based compensation expense, U.S. general and administrative expenses decreased to $4.3 million from $5.1 million, a 16% decrease. Cash general and administrative expenses consist primarily of salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses such as our corporate headquarter office lease. This period over period decrease in U.S. cash general and administrative expenses is the result of an overall reduction in spending due to cost containment efforts, including staff reductions of less than 10% done in 2002; reduced costs due to the relocation of our corporate headquarters to Foster City, California, which resulted in savings of $267,000 and a general overall reduction in corporate discretionary spending. We continue to closely monitor our spending in all areas of the Company. In addition, as a percent of revenues, we anticipate a decline in U.S. cash general and administrative spending until such time as we reach certain pre-determined levels of profitability.

Asia-Pacific General and Administrative Expenses. As a result of the combination that closed on December 31, 2002, we incurred an additional $1.4 million in general and administrative expenses from our newly-acquired Asia-Pacific operations. Our Asia-Pacific general and administrative expenses, which included $114,000 of depreciation expense, consist of the same type of costs that we incur in our U.S. operations, namely salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses. Our Asia-Pacific general and administrative expenses are generated in Singapore, Tokyo, Hong Kong and Sydney. Our Asia-Pacific headquarter office is located in Singapore. Most of the corporate overhead support functions that we have in the U.S. also reside in our Singapore office in order to support our Asia-Pacific operations. In addition, we have separate corporate office locations in Tokyo and Hong Kong. We expect that our Asia-Pacific general and administrative expenses will remain relatively flat or experience only moderate growth for the foreseeable future.

Restructuring Charge. We did not incur any restructuring charges during the three months ended September 30, 2003. During the three months ended September 30, 2002, we exercised the option to permanently terminate approximately one-half of the San Jose ground lease and permitted the landlord to unconditionally draw down the $25.0 million in letters of credit that we had on our balance sheet at the time. As a result, we recorded a restructuring charge of $19.0 million and prepaid rent expense for the remaining $6.0 million.

Interest Income. Interest income decreased to $46,000 from $179,000 for the three months ended September 30, 2003 and 2002, respectively. Interest income decreased due to lower cash, cash equivalent and short-term investment balances held in interest-bearing accounts and lower interest rates received on those invested balances.

Interest Expense. Interest expense decreased to $5.5 million from $8.2 million for the three months ended September 30, 2003 and 2002, respectively. The significant decrease in interest expense was primarily attributable to the retirement of $169.5 million of our 13% senior notes during 2002. In addition, we reduced the interest expense attributed to our credit facility due to a reduction in the principal balance outstanding and a reduction in the interest rates. However, these interest expense savings were partially offset by the approximately $2.2 million of non-cash interest expense associated with the $30.0 million 14% convertible secured note issued on December 31, 2002 as a result of the financing, and the $10.0 million 10% convertible secured note issued on June 5, 2003.

Income Taxes. A full valuation allowance is recorded against our deferred tax assets as management cannot conclude, based on available objective evidence, when it is more likely than not that the gross value of its deferred tax assets will be realized.

Nine Months Ended September 30, 2003 and 2002

Revenues. Our revenues for the nine months ended September 30, 2003 and 2002 were geographically comprised of the following (dollars in thousands):

	Nine months ended September 30,			
	2003	%	2002	%
U.S. revenues	$ 71,525	84%	$ 58,385	100%
Asia-Pacific revenues	13,263	16%	—	0%
Total revenues	$ 84,788	100%	$ 58,385	100%

Our geographic revenues for the nine months ended September 30, 2003 and 2002 were split between the following revenue streams (dollars in thousands):

	Nine months ended September 30,			
	2003	%	2002	%
Recurring revenues:				
U.S. recurring revenues	$ 66,793	79%	$ 47,777	82%
Asia-Pacific recurring revenues	11,668	14%	—	0%
	78,461	93%	47,777	82%
Non-recurring revenues:				
U.S. non-recurring revenues	4,732	5%	10,608	18%
Asia-Pacific non-recurring revenues	1,595	2%	—	0%
	6,327	7%	10,608	18%
Total revenues	$ 84,788	100%	$ 58,385	100%

We recognized revenues of $84.8 million for the nine months ended September 30, 2003, as compared to revenues of $58.4 million for the nine months ended September 30, 2002. Included in revenues for the nine months ended September 30, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $16.8 million. We segment our business geographically between the U.S. and Asia-Pacific.

U.S. Revenues. We recognized U.S. revenues of $71.5 million for the nine months ended September 30, 2003 as compared to $58.4 million for the nine months ended September 30, 2002. U.S. revenues consisted of recurring revenues of $66.8 million and $47.8 million, respectively, for the nine months ended September 30, 2003 and 2002, a 40% increase. Recurring revenues consist primarily of colocation services, such as the leasing of cabinet space and power, plus interconnection and managed infrastructure services. U.S. recurring revenues for the nine months ended September 30, 2003 includes $3.6 million of revenues generated from the two U.S. IBX hubs acquired from Pihana on December 31, 2002 located in Los Angeles and Honolulu. Excluding this revenue from the two acquired U.S. IBX hubs, the period over period growth in recurring revenues was primarily the result of an increase in orders from existing customers and growth in our customer base from 266 U.S. customers as of September 30, 2002 to 392 U.S. customers as of September 30, 2003. We expect our U.S. recurring revenues to continue to grow and remain our most significant source of revenue for the foreseeable future.

In addition, U.S. revenues consisted of non-recurring revenues of $4.7 million and $10.6 million, respectively, for the nine months ended September 30, 2003 and 2002. Non-recurring revenues are primarily related to the recognized portion of deferred installation revenue, custom service revenues, equipment resale revenue and settlement fees associated with certain contract terminations. The period over period decrease in U.S. non-recurring revenues was primarily the result of $2.9 million of equipment resale revenue recognized during the nine months ended September 30, 2002 and $4.8 million in settlement fees from customers to terminate their contract. There were no equipment resale transactions during the nine months ended September 30, 2003; however, we received $1.2 million of settlement fees during the nine months ended September 30, 2003, primarily as a result of bankruptcy court-mandated payments from both Worldcom and Excite@home. In February and March 2002, we entered into equipment reseller agreements with two related party companies and sold $2.9 million of equipment during the nine months ended September 30, 2002. Due to the low margins involved in reselling equipment, we are no longer actively pursuing equipment resale transactions, and as a result, we do not anticipate significant equipment resale revenues in the future. Installation and service fees are recognized ratably over the term of the contract. Custom service revenues are recognized upon completion of the services. Settlement fees are recognized on a cash basis for prior unrecognized services when no remaining performance obligations exist. Excluding any settlement fees that we may recognize in the future, we expect our U.S. non-recurring revenues to decrease as a percent of our recurring revenues in the foreseeable future.

Asia-Pacific Revenues. As a result of the combination that closed on December 31, 2002, we recognized $13.3 million of revenues in Asia-Pacific during the nine months ended September 30, 2003. Prior to the combination we generated no revenues from outside of the United States. Asia-Pacific revenues consisted of recurring revenues of $11.7 million, primarily from colocation and managed infrastructure services, and non-recurring revenues of $1.6 million for the nine months ended September 30, 2003, which includes settlement fees of $534,000 from a customer that terminated its contract. Asia-Pacific revenues are generated from Singapore, Tokyo, Hong Kong and Sydney. Our Asia-Pacific revenues streams are similar to the revenue streams that we generate from our U.S. IBX hubs; however, our Singapore IBX hub has additional managed infrastructure service revenue streams, such as mail service and managed platform solutions, which we do not currently offer in any other IBX hub location.

Cost of Revenues. Cost of revenues increased to $95.6 million for the nine months ended September 30, 2003 from $78.6 million for the nine months ended September 30, 2002. Included in cost of revenues for the nine months ended September 30, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $18.9 million.

U.S. Cost of Revenues. U.S. cost of revenues increased to $79.6 million for the nine months ended September 30, 2003 as compared to $78.6 million for the nine months ended September 30, 2002. U.S. cost of revenues included $37.3 million and $35.1 million, respectively, of depreciation expense and $49,000 and $216,000, respectively, of stock-based compensation expense for the nine months ended September 30, 2003 and 2002. During the nine months ended September 30, 2003, we also recorded $485,000 of accretion expense associated with our asset retirement obligation relating to our various leaseholds, which consist primarily of our IBX hub operating leases, as required by a new accounting standard that we were required to adopt during 2003. In addition to depreciation, stock-based compensation and accretion expense, cost of revenues consists primarily of rental payments for our leased IBX hubs, site employees' salaries and benefits, utility costs, power and redundancy system engineering support services and related costs and security services, which we refer to as our cash cost of revenues. Furthermore, U.S. cost of revenues included the costs associated with the $2.9 million of equipment resale revenue that we recorded for the nine months ended September 30, 2002. We recorded no equipment resale revenue for the nine months ended September 30, 2003. Included in the U.S. cost of revenues for the nine months ended September 30, 2003, were the operating costs associated with the Los Angeles and Honolulu IBX hubs acquired from Pihana in the combination on December 31, 2002, which totaled $2.9 million ($2.5 million excluding depreciation). Excluding depreciation, stock-based compensation, accretion expense, the costs of equipment resales and the costs of operating the acquired U.S. IBX hubs, U.S. cost of revenues decreased period over period to $39.2 million for the nine months ended September 30, 2003 from $40.5 million for the nine months ended September 30, 2002, a 3% decrease. This decrease is primarily the result of reduced costs associated with the San Jose ground lease of $3.6 million as a result of the option that we exercised in September 2002 to return approximately one-half of the land commencing in October 2002; however, these decrease is partially offset by an increase in operating costs associated with certain of our IBX hubs as a result of (a) higher property taxes for certain IBX hubs and (b) increasing utility costs in line with increasing revenues for certain IBX hubs. Included in the overall increase in U.S. cost of revenues period over period, is approximately $1.0 million of incremental property tax fees. Excluding the impact of these incremental property tax fees, we continue to anticipate that our cost of revenues will increase in the foreseeable future as the occupancy levels in our U.S. IBX hubs increase, although as a percent of revenues, we anticipate our cost of revenues will decline until such time as we reach certain pre-determined levels of profitability.

Asia-Pacific Cost of Revenues. As a result of the combination that closed on December 31, 2002, we incurred an additional $16.0 million in cost of revenues from our Asia-Pacific IBX hub operations during the nine months ended September 30, 2003. Included in this number is $3.6 million of depreciation expense. Excluding depreciation expense, our acquired cost of revenues totaled $12.4 million for Asia-Pacific, which we refer to as our cash cost of revenues. Our Asia-Pacific cash cost of revenues consist of the same type of cash costs that we incur in our U.S. IBX hub operations, namely rental payments for our leased IBX hubs, site employees' salaries and benefits, utility costs, power and redundancy system engineering support services and related costs and security services. Our Asia-Pacific cash costs of revenues are generated in Singapore, Tokyo, Hong Kong and Sydney. There are several managed IT infrastructure service revenue streams unique to our Singapore IBX hub, such as mail service and managed platform solutions, that are more labor intensive than our service offerings in the United States. As a result, our Singapore IBX hub has a greater number of employees than any of our other IBX hubs, and therefore, a greater labor cost relative to our other IBX hubs in the United States or other Asia-Pacific locations. We anticipate that our Asia-Pacific cash cost of revenues will experience moderate growth in the foreseeable future in relation to any revenue growth.

Sales and Marketing. Sales and marketing expenses increased to $14.2 million for the nine months ended September 30, 2003 from $12.2 million for the nine months ended September 30, 2002. Included in sales and marketing expenses for the nine months ended September 30, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $4.9 million.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses decreased to $9.3 million for the nine months ended September 30, 2003 as compared to $12.2 million for the nine months ended September 30, 2002. Included in U.S. sales and marketing expenses were $243,000 and $802,000, respectively, of stock-based compensation expense for the nine months ended September 30, 2003 and 2002. During the nine months ended September 30, 2002, we recorded $2.3 million in bad debt expense, a substantial increase from the amount we typically expense (we recorded $49,000 of U.S. bad debt expense for the nine months ended September 30, 2003). The amount of bad debt expense that we recorded in the prior period was primarily the result of write-offs or full reserves of aged receivables associated with several customers, including Teleglobe, which had filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code last year. Excluding stock-based compensation and bad debt expense, U.S. sales and marketing expenses remained flat at $9.0 million for the nine months ended September 30, 2003 and 2002. Excluding stock-based compensation and bad debt expense, sales and marketing expenses consist primarily of cash compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. We continue to closely monitor our spending in all areas of the Company. We expect to see a moderate increase in sales and marketing spending in the future, although as a percent of revenues, we anticipate a decline in sales and marketing spending until such time as we reach certain pre-determined levels of profitability.

Asia-Pacific Sales and Marketing Expenses. As a result of the combination that closed on December 31, 2002, we incurred an additional $4.9 million of sales and marketing expenses, comprised of $3.3 million in cash sales and marketing expenses from our Asia-Pacific operations during the nine months ended September 30, 2003, and $1.6 million of amortization expense. Our Asia-Pacific sales and marketing expenses consist of the same type of cash costs that we incur in our U.S. operations, namely compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. Our Asia-Pacific sales and marketing expenses are generated in Singapore, Tokyo, Hong Kong and Sydney. We expect that our Asia-Pacific cash sales and marketing expenses will remain relatively flat in the foreseeable future. As a result of the combination that closed on December 31, 2002, we acquired several intangible assets that we amortize, namely the use of a tradename and certain customer contracts in Singapore valued at approximately $300,000 and $3.6 million, respectively. The tradename intangible asset is being amortized over one year and the customer contract intangible is being amortized over two years. As a result, we incurred a total of $1.6 million of amortization expense during the nine months ended September 30, 2003.

General and Administrative. General and administrative expenses increased to $26.4 million for the nine months ended September 30, 2003 from $22.7 million for the nine months ended September 30, 2002. Included in general and administrative expenses for the nine months ended September 30, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $6.3 million.

U.S. General and Administrative Expenses. U.S. general and administrative expenses decreased to $21.6 million for the three months ended September 30, 2003 as compared to $22.7 million for the three months ended September 30, 2002. Included in U.S. general and administrative expenses were $4.5 million and $4.4 million, respectively, of depreciation expense and $1.9 million and $4.6 million, respectively, of stock-based compensation expense for the nine months ended September 30, 2003 and 2002. In addition, general and administrative expenses for the nine months ended September 30, 2003, included $1.5 million of costs associated with a corporate headquarter office acquired from Pihana on December 31, 2002 located in Honolulu. This office was closed as of June 30, 2003. Excluding depreciation, stock-based compensation expense and the costs of the acquired Honolulu office, U.S. general and administrative expenses remained flat at $13.7 million for the nine months ended September 30, 2003 and 2002. Cash general and administrative expenses consist primarily of salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses such as our corporate headquarter office lease. U.S. cash general and administrative expenses for the nine months ended September 30, 2002 included the elimination of a corporate bonus program, which resulted in savings during this period of $990,000. Excluding the effects of this particular item, U.S. cash general and administrative expenses decreased period over period by 7%. This period over period decrease in U.S. cash general and administrative expenses is the result of an overall reduction in spending due to cost containment efforts, including staff reductions of less than 10% done in 2002; reduced costs due to the relocation of our corporate headquarters to Foster City, California, which resulted in savings of $358,000 and a general reduction in corporate discretionary spending. We continue to closely monitor our spending in all areas of the Company. In addition, as a percent of revenues, we anticipate a decline in U.S. cash general and administrative spending until such time as we reach certain pre-determined levels of profitability.

Asia-Pacific General and Administrative Expenses. As a result of the combination that closed on December 31, 2002, we incurred an additional $4.7 million in general and administrative expenses from our newly-acquired Asia-Pacific operations. Our Asia-Pacific general and administrative expenses, which included $359,000 of depreciation expense, consist of the same type of costs that we incur in our U.S. operations, namely salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses. Our Asia-Pacific general and administrative expenses are generated in Singapore, Tokyo, Hong Kong and Sydney. Our Asia-Pacific headquarter office is located in Singapore. Most of the corporate overhead support functions that we have in the U.S. also reside in our Singapore office in order to support our Asia-Pacific operations. In addition, we have separate corporate office locations in Tokyo and Hong Kong. We expect that our Asia-Pacific general and administrative expenses will remain relatively flat or experience only moderate growth for the foreseeable future.

Restructuring Charge. We did not incur any restructuring charges during the nine months ended September 30, 2003. During the nine months ended September 30, 2002, we recorded restructuring charges of $29.0 million. The restructuring charges consisted of (a) a $5.0 million option fee paid in May 2002 related to the amendment of our approximately 80 acre ground lease in San Jose, California from which we subsequently elected to exercise the option to permanently exclude 40 acres commencing October 1, 2002; (b) a write-off of property and equipment of $2.6 million, primarily leasehold improvements and some equipment, located in two unnecessary U.S. IBX expansion and headquarter office space operating leaseholds we had decided to exit and that do not currently provide any ongoing benefit; (c) a write-off of two U.S. letters of credit totaling $750,000 related to one U.S. operating leasehold we had committed to exit; (d) an accrual of $1.0 million related to the remaining estimated European exit costs; (e) an accrual of $500,000 severance charges related to a less than 10% reduction in workforce in an effort to reduce the cost structure of our corporate headquarter function; (f) an accrual of $115,000 related to additional U.S. leasehold exit costs and (g) a partial write-off of two letters of credit totaling in the amount of $19.0 million related to the exercise of the option to permanently terminate approximately one-half of the San Jose ground lease.

Interest Income. Interest income decreased to $182,000 from $961,000 for the nine months ended September 30, 2003 and 2002, respectively. Interest income decreased due to lower cash, cash equivalent and short-term investment balances held in interest-bearing accounts and lower interest rates received on those invested balances.

Interest Expense. Interest expense decreased to $15.3 million from $26.4 million for the nine months ended September 30, 2003 and 2002, respectively. The significant decrease in interest expense was primarily attributable to the retirement of $169.5 million of our 13% senior notes during 2002. In addition, we reduced the interest expense attributed to our credit facility due to a reduction in the principal balance outstanding and a reduction in the interest rates. However, these interest expense savings were partially offset by the approximately $5.0 million of non-cash interest expense associated with the $30.0 million 14% convertible secured note issued on December 31, 2002 as a result of the financing, and the $10.0 million 10% convertible secured note issued on June 5, 2003.

Gain on Debt Extinguishment. During the nine months ended September 30, 2002, the Company retired $52.8 million of its 13% senior notes in exchange for approximately 500,000 shares of our common stock and approximately $2.5 million of cash. As a result of these transactions, we recognized a $27.2 million net gain on debt extinguishment, after deducting transaction costs, interest waived and allocation of unamortized debt issuance costs and debt discount. We extinguished no senior notes during the nine months ended September 30, 2003.

Income Taxes. A full valuation allowance is recorded against our deferred tax assets as management cannot conclude, based on available objective evidence, when it is more likely than not that the gross value of its deferred tax assets will be realized.

Liquidity and Capital Resources

Since inception, we have financed our operations and capital requirements primarily through the issuance of senior notes, the private sale of preferred stock, our initial public offering, our credit facility, which was later amended, our convertible secured notes, our combination with i-STT and Pihana and various types of debt facilities and capital lease obligations, for aggregate gross proceeds of approximately $909.2 million. As of September 30, 2003, our total indebtedness from our senior notes, credit facility and other debt facilities and capital lease obligations was $166.9 million, including our $30.0 million convertible secured non-cash interest pay note issued in December 2002 and the $10.0 million convertible secured non-cash interest pay notes issued in connection with the Crosslink financing in June 2003.

As of September 30, 2003, our principal source of liquidity was approximately $25.2 million in cash, cash equivalents and short-term investments.

Uses of Cash

Net cash used in our operating activities was $20.3 million for the nine months ended September 30, 2003 of which $16.4 million was related to the payment of accrued restructuring charges, accrued merger and financing costs and aged payables related to the combination, financing and senior note exchange. Net cash used in our operations was $29.7 million for the nine months ended September 30, 2002. We used cash during this period primarily to fund our net loss, including cash interest payments on senior notes and our credit facility.

Net cash used in investing activities was $4.2 million and $6.5 million for the nine months ended September 30, 2003 and 2002, respectively. Net cash used in investing activities during the nine months ended September 30, 2003 was primarily for capital expenditures and the purchase of $3.5 million of short-term investments; however, this was substantially offset by the release of restricted cash to fund a cash interest payment on our senior notes in January 2003. Net cash used in investing activities for the nine months ended September 30, 2002 was primarily attributable to the liquidation of accrued construction costs for the New York metropolitan area IBX hub, which opened during the first quarter of 2002, partially offset by the sale of some of our short-term investments. The amount of cash used in investing activities has decreased substantially as we have now completed our current IBX hub rollout plan.

Net cash provided by financing activities was $5.0 million for the nine months ended September 30, 2003. Net cash used in financing activities was $13.7 million for the nine months ended September 30, 2002. Net cash provided by financing activities during the nine months ended September 30, 2003 was primarily the result of the $10.0 million in proceeds from the Crosslink financing, partially offset by payments of our various debt facilities and capital lease obligations. Net cash used in financing activities during the nine months ended September 30, 2002 was primarily attributable to the scheduled monthly payments of our debt facilities and capital lease obligations, a $5.0 million repayment on our credit facility and the principal repayment of $2.5 million of our senior notes and the costs associated with the exchange of the senior notes.

Debt Obligations

As of September 30, 2003, our total indebtedness from our senior notes, credit facility, convertible secured notes and debt facilities and capital lease obligations was $166.9 million, as follows:

Senior Notes. In December 1999, we issued $200.0 million aggregate principal amount of 13% senior notes due 2007. During 2002, we retired $169.5 million of the senior notes in exchange for approximately 2.4 million shares of common stock and approximately $21.3 million of cash. As of September 30, 2003, a total of $30.5 million of senior note principal remains outstanding.

Credit Facility. In December 2000, we entered into the credit facility with a syndicate of lenders under which, subject to our compliance with a number of financial ratios and covenants, we were permitted to borrow up to $150.0 million. This facility was amended at various times during 2001 and 2002 and in connection with the combination, financing and completed senior note exchange, we entered into a further amendment to the credit facility. The most significant terms and conditions of this amendment were:

- we were granted a full waiver of previous covenant breaches and were granted consent to use cash to retire our senior notes in connection with the senior note exchange;
- future revenue and EBITDA covenants were eliminated and the remaining covenants and ratios were reset consistent with expected future performance of the combined company for the remaining term of the loan;
- we permanently repaid $8.5 million of the then currently outstanding $100.0 million balance, bringing our total amount owed under this facility to $91.5 million as of December 31, 2002; and
- the amortization schedule for the credit facility was amended such that the minimum amortization due in 2003-2004 was significantly reduced.

As of September 30, 2003, a total of $90.5 million of credit facility principal remains outstanding.

Convertible Secured Notes. In December 2002, in conjunction with the combination, STT Communications made a $30.0 million strategic investment in the company in the form of a 14% convertible secured note with an initial term of five years. The interest on the convertible secured note is payable in kind in the form of additional convertible secured notes, which we refer to as “PIK notes”. In May 2003, we issued the first PIK note for $1.4 million.

In June 2003, entities affiliated with Crosslink Capital made a $10.0 million strategic investment in the company in the form of 10% convertible secured notes due November 2007. The interest on the convertible secured notes is payable in kind in the form of additional convertible secured notes commencing on the second anniversary of the closing of this transaction.

As of September 30, 2003, a total of $41.4 million of convertible secured notes were outstanding.

Other Debt Facilities and Capital Lease Obligations. In May 1999, we entered into a master lease agreement with Comdisco in the amount of $1.0 million. This master lease agreement was increased by addendum in August 1999 by $5.0 million. This agreement bears interest at either 7.5% or 8.5% and is repayable over 42 months in equal monthly payments with a final interest payment equal to 15% of the advance amounts due on maturity. In June 2003, we entered into an early termination agreement with Comdisco and made a payment to Comdisco of $1.9 million in full satisfaction of all amounts owed under these agreements.

In August 1999, we entered into a loan agreement with Venture Lending and Leasing in the amount of $10.0 million and fully drew down on this amount. This loan agreement bears interest at 8.5% and was repayable over 42 months in equal monthly payments with a final interest payment equal to 15% of the advance amounts due on maturity. In October 2002, we amended the loan agreement to secure certain short-term cash deferment benefits. Under the terms of this amendment, we extended the maturity of the loan by 24 months and amortized the remaining principal balance and related balloon interest payment over this amended period ending March 1, 2005. In exchange, the Company issued new warrants and re-priced the original warrants. As of September 30, 2003, principal of $984,000 remained outstanding.

In March 2001, we entered into a loan agreement with Wells Fargo in the amount of $3.0 million and fully drew down on this amount. This loan agreement bears interest at 13.15% and is repayable over 36 months. As of June 30, 2002, we were not in compliance with one of the requirements of this loan. As a result, we reflected the full amount outstanding under this facility totaling $1.6 million as a current obligation on the accompanying balance sheet as of December 31, 2002. In January 2003, we reached an agreement with Wells Fargo and made a payment to Wells Fargo of approximately $1.7 million in full satisfaction of all amounts owed to Wells Fargo under the loan agreement.

In June 2001, we entered into a loan agreement with Heller Financial Leasing in the amount of $5.0 million and fully drew down on this amount. This loan agreement bears interest at 13.0% and is repayable over 36 months. In August 2002, we amended this loan to secure certain short-term cash deferment. Under the amended terms of this loan agreement, we extended the maturity of the loan by nine months. Commencing September 2002, we began to benefit from the reduction in monthly payments over the following 14 months thereby deferring approximately $1.2 million of principal payments. Commencing November 2003, the deferred principal payments will be repaid over the remaining 17 months of the loan ending March 2005. As of September 30, 2003, principal of $2.9 million remained outstanding.

In December 2002, in conjunction with our merger with Pihana, we acquired multiple capital leases with Orix. The original amount financed was approximately $3.5 million. These capital lease arrangements bear interest at an average rate of 6.4% per annum and are repayable over 30 months. As of September 30, 2003, principal of $652,000 remained outstanding.

Debt Maturities and Operating Lease Commitments

We lease our IBX hubs and certain equipment under non-cancelable operating lease agreements expiring through 2020. The following represents the minimum future operating lease payments for these commitments, as well as the combined aggregate maturities for all of our debt as of September 30, 2003 (unaudited) (in thousands):

	Debt facilities & capital lease obligations	Credit facility	Senior notes	Convertible secured notes	Operating leases	Total
2003	$ 864	$ 990	$ —	$ —	$ 5,090	$ 6,944
2004	2,907	11,981	—	—	25,100	39,988
2005	729	77,548	—	—	28,220	106,497
2006	—	—	—	—	28,935	28,935
2007	—	—	30,475	41,400	29,224	101,099
2008 and thereafter	—	—	—	—	207,704	207,704
	$ 4,500	$ 90,519	$ 30,475	$ 41,400	$ 324,273	$ 491,167

As of September 30, 2003, we had capital expenditure commitments of approximately $3.5 million related to a small expansion of our Singapore IBX hub, which we expect to fund during the fourth quarter of 2003 and first quarter of 2004. We believe that our cash on hand and the anticipated cash flow generated from operations, will be sufficient to meet our working capital, debt service and corporate overhead requirements associated with our operations for the next twelve months.

Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force reached a consensus on Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables” (“EITF 00-21”). EITF 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We adopted the provisions of EITF 00-21 during the third quarter of 2003. The adoption of this statement has not had a material impact on our results of operations, financial position or cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.” FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after December 15, 2003. We are currently assessing the impact of the pronouncement on our consolidated financial statements, but believe that it will not have a material impact on our results of operations, financial position or cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The new guidance amends SFAS No. 133 for decisions made as part of the Derivatives Implementation Group ("DIG") process that effectively required amendments to SFAS No. 133, and decisions made in connection with other FASB projects dealing with financial instruments and in connection with implementation issues raised in relation to the application of the definition of a derivative and characteristics of a derivative that contains financing components. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. We adopted the provisions of SFAS No. 149 during the third quarter of 2003. The adoption of this statement has not had a material impact on our results of operations, financial position or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. To date, the impact of the effective provisions of SFAS No. 150 have not had a material impact on our results of operations, financial position or cash flows. We continue to assess the possible impact of potential changes to this pronouncement as and when they are announced.

Other Factors Affecting Operating Results

In addition to the other information in this report, the following risk factors should be considered carefully in evaluating our business and us:

Risks Related to Our Business

We have a limited operating history and the market for our services is still in its early stages.

We were founded in June 1998 and did not recognize any revenue until November 1999. i-STT was founded in January 2000 and did not recognize any revenue until May 2000. Pihana was founded in June 1999 and did not recognize any revenue until June 2000. We expect that we will encounter challenges and difficulties frequently experienced by early-stage companies in new and rapidly evolving international markets, such as our ability to generate cash flow, hire, train and retain sufficient operational and technical talent, and implement our plan with minimal delays. We may not successfully address any or all of these challenges and our failure to do so would seriously harm our business plan and operating results, and affect our ability to raise additional funds.

Equinix's, i-STT's and Pihana's businesses have incurred substantial losses in the past, may continue to incur additional losses in the future and will not be profitable until the combined company reverses this trend.

Equinix incurred losses of approximately $21.6 million for 2002 (this includes the benefit of a gain on debt extinguishment of $114.2 million), i-STT incurred losses of approximately $8.0 million for 2002 and Pihana incurred losses of approximately $148.5 million for the same period. For the nine months ended September 30, 2003, the combined company incurred additional losses of $66.5 million. Until the quarter ended September 30, 2003, the combined company did not generate cash from operations. Even if the combined company achieves profitability, given the competitive and evolving nature of the industry in which it operates, the combined company may not be able to sustain or increase profitability on a quarterly or annual basis.

We expect our operating results to fluctuate.

Equinix has experienced fluctuations in its results of operations on a quarterly and annual basis. The fluctuation in our operating results may cause the market price of our common stock to decline. We expect to experience significant fluctuations in our operating results in the foreseeable future due to a variety of factors, including:

- demand for space and services at our IBX hubs;
- changes in general economic conditions and specific market conditions in the telecommunications and Internet industries;
- the provision of customer discounts and credits;
- the mix of current and proposed products and services and the gross margins associated with our products and services;
- competition in the markets;
- conditions related to international operations;
- the operating costs attributable to our real and personal property tax obligations related to our IBX hubs;
- the timing and magnitude of capital expenditures and expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets; and
- the cost and availability of adequate public utilities, including power.

Any of the foregoing factors, or other factors discussed elsewhere in this report, could have a material adverse effect on our business, results of operations, and financial condition. Although the combined company has experienced growth in revenues in recent quarters, this growth rate is not necessarily indicative of future operating results. It is possible that the combined company may never achieve profitability on a quarterly or annual basis. In addition, a relatively large portion of our expenses are fixed in the short-term, particularly with respect to lease and personnel expenses, depreciation and amortization, and interest expenses. Therefore, our results of operations are particularly sensitive to fluctuations in revenues. As such, comparisons to prior reporting periods should not be relied upon as indications of the combined company's future performance. In addition, our operating results in one or more future quarters may fail to meet the expectations of securities analysts or investors. If this occurs, we could experience an immediate and significant decline in the trading price of our stock.

We have significant debt and we may not generate sufficient cash flow to meet our debt service obligations and repay our indebtedness.

As of September 30, 2003, our total debt consists primarily of the following:

- a total of $30.5 million principal amount of senior notes;
- a total of $90.5 million principal amount of loans under our credit facility;
- a total of $41.4 million of convertible secured notes; and
- approximately $4.5 million of other outstanding debt facilities and capital lease obligations.

Our credit facility matures in December of 2005 and the convertible secured notes and our senior notes mature in December of 2007. Each of these obligations require significant amounts of liquidity. In 2004, we are required to make $12.0 million in principal payments to our senior lenders, and in 2005 we are required to pay our senior lenders approximately $77.0 million in principal. If we are unable to meet our debt service obligations our lenders could require immediate repayment of all amounts outstanding.

We do not have sufficient cash reserves to repay such amounts and we would need to obtain additional financing to repay our lenders.

Our ability to arrange additional financing and the cost of this financing will depend upon many factors, including:

- general economic and capital markets conditions generally, and in particular the non-investment grade debt market;
- conditions in the Internet infrastructure market;
- credit availability from banks or other lenders;
- investor confidence in the telecommunications industry generally and our company specifically;
- the success of our IBX hubs; and
- provisions of tax and securities laws that are conducive to raising capital.

If we need additional funds, our inability to raise them will have an adverse effect on our operations, including our lenders' ability to foreclose on substantially all of our assets. If we decide to raise additional funds by incurring debt, we may become subject to additional or more restrictive financial covenants and ratios.

The amount of our debt could have other important consequences, including:

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

If we cannot generate sufficient additional revenue we may not be able to meet our debt service obligations when due

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

Our credit agreements require that we maintain specific financial ratios and comply with covenants, including a monthly cash covenant, and contain numerous restrictions on our ability to incur debt, pay dividends or make other restricted payments, sell assets, enter into affiliate transactions and take other actions. Furthermore, our existing financial arrangements are, and future financing arrangements are likely to be, secured by substantially all of our assets. If we are unable to meet the terms of the financial covenants or if we breach any of these covenants, a default could result under one or more of these agreements. A default, if not waived by our lenders, could result in the acceleration of outstanding indebtedness and cause our debt to become immediately due and payable. If an acceleration occurs, we will not be able to repay our debt, and it is unlikely that we will be able to borrow sufficient additional funds to refinance our debt. Even if new financing is made available to us, it may not be available on terms acceptable to us.

If we cannot effectively integrate and manage international operations, our revenues may not increase and our business and results of operations would be harmed.

In 2002, our sales outside North America represented less than 1% of our revenues, i-STT's sales outside North America represented approximately 100% of its revenues and Pihana's sales outside North America represented approximately 45% of its revenues. For the nine months ended September 30, 2003, the combined company recognized 16% of its revenues outside North America. We anticipate that, for the foreseeable future, approximately 15% to 20% of the combined company's revenues will be derived from sources outside North America. Our management team is comprised primarily of Equinix executives before the combination, some of whom have had limited or no experience overseeing international operations.

To date, the neutrality of the Equinix IBX hubs and the variety of networks available to our customers has often been a competitive advantage for us. In certain of our recently acquired IBX hubs, in Singapore in particular, the limited number of carriers available diminishes that advantage. As a result, we may need to adapt our key revenue-generating services and pricing to be competitive in that market.

We may experience gains and losses resulting from fluctuations in foreign currency exchange rates, for which hedging activities may not adequately protect us. Where our prices are denominated in U.S. dollars, our sales could be adversely affected by declines in foreign currencies relative to the U.S. dollar, thereby making our products more expensive in local currencies. Our international operations are generally subject to a number of additional risks, including:

- costs of customizing IBX hubs for foreign countries;
- protectionist laws and business practices favoring local competition;
- greater difficulty or delay in accounts receivable collection;
- difficulties in staffing and managing foreign operations;
- political and economic instability;
- ability to obtain, transfer, or maintain licenses required by governmental entities with respect to the combined business; and
- compliance with governmental regulation with which we have little experience.

To date, the majority of Equinix's revenues and costs have been denominated in U.S. dollars; the majority of i-STT's revenues and costs have been denominated in Singapore dollars and the majority of Pihana's revenues and costs have been denominated in U.S. dollars, Japanese yen and Australian, Hong Kong and Singapore dollars. Although the combined company may undertake foreign exchange hedging transactions to reduce foreign currency transaction exposure, it does not currently intend to eliminate all foreign currency transaction exposure.

STT Communications holds a substantial portion of our stock and has significant influence over matters requiring stockholder consent.

As of September 30, 2003, STT Communications owns approximately 26% of our outstanding voting stock. In addition, STT Communications is not prohibited from buying shares of our stock in public or private transactions. Because of the diffuse ownership of our stock, STT Communications has significant influence over matters requiring our stockholder approval. Following the expiration of restrictions on STT Communications preventing it from converting its convertible secured notes and warrants into voting stock if, as a result, STT Communications will own more than 40% of our voting stock, STT Communications will effectively control the company and the election of directors to our board of directors. STT also has a right of first offer which entitles them to participate in an offering of our equity securities, or securities convertible into our equity securities, to maintain their ownership percentage prior to such offering. Upon the expiration of these restrictions, STT Communications will be able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could prevent or delay a third party from acquiring or merging with us.

We may be forced to take steps, and may be prevented from pursuing certain business opportunities, to ensure compliance with certain tax-related covenants agreed to by us in the combination agreement.

We agreed to a covenant in the combination agreement (which we refer to as the FIRPTA covenant) that we would use all commercially reasonable efforts to ensure that at all times from and after the closing of the combination until such time as neither STT Communications nor its affiliates hold our capital stock or debt securities (or the capital stock received upon conversion of the debt securities) received by STT Communications in connection with the consummation of the transactions contemplated in the combination agreement, none of our capital stock issued to STT Communications constitute “United States real property interests” within the meaning of Section 897(c) of the Internal Revenue Code of 1986, which we call the Code. Under Section 897(c) of the Code, our capital stock issued to STT Communications would generally constitute “United States real property interests” at such point in time that the fair market value of the “United States real property interests” owned by us equals or exceeds 50% of the sum of the aggregate fair market values of (a) our “United States real property interests,” (b) our interests in real property located outside the U.S., and (c) any other assets held by us which are used or held for use in our trade or business. Given that we currently own significant amounts of “United States real property interests,” we may be limited with respect to the business opportunities we may pursue, particularly if the business opportunities would increase the amounts of “United States real property interests” owned by us or decrease the amount of other assets owned by us. In addition, pursuant to the FIRPTA covenant we may be forced to take commercially reasonable proactive steps to ensure our compliance with the FIRPTA covenant, including, but not limited to, (a) a sale-leaseback transaction with respect to all real property interests, or (b) the formation of a holding company organized under the laws of the Republic of Singapore which would issue shares of its capital stock in exchange for all of our outstanding stock (this reorganization would require the submission of that transaction to our stockholders for their approval and the consummation of that exchange).

Our non-U.S. customers include numerous related parties of i-STT.

In the past, a substantial portion of i-STT’s financing, as well as its revenues, has been derived from its affiliates. We continue to have contractual and other business relationships and may engage in material transactions with affiliates of STT Communications. Circumstances may arise in which the interests of STT Communications’ affiliates may conflict with the interests of our other stockholders. In addition, Singapore Technologies Pte Ltd, an affiliate of STT Communications, makes investments in various companies; it has invested in the past, and may invest in the future, in entities that compete with us. In the context of negotiating commercial arrangements with affiliates, conflicts of interest have arisen in the past and may arise, in this or other contexts, in the future. There can be no assurance that any conflicts of interest will be resolved in our favor.

A significant number of shares of our capital stock have been issued in the past 12 months and may be sold in the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

We issued a large number of shares of our capital stock to the former Pihana stockholders, STT Communications, and holders of our senior notes in connection with the combination, financing and senior note exchange and to Crosslink Capital in connection with the Crosslink financing. The shares of common stock issued in the senior note exchange may be sold into the public market immediately following the closing of the exchange. The shares of common stock issued in connection with the combination have been registered for resale as of June 30, 2003 and the shares of common stock issued upon exercise of the warrants issued in connection with the Crosslink financing have been registered for resale as of September 22, 2003. Subject to the restrictions described in our proxy statement dated December 12, 2002, the senior notes and warrants issued in connection with the financing and the Crosslink financing are immediately convertible or exercisable into shares of common stock and the underlying shares of common stock may be registered for resale. On October 14, 2003 we filed a shelf registration statement to sell up to $150,000,000 of shares of our common stock from time to time. Sales of a substantial number of shares of our common stock by these parties or pursuant to the shelf registration statement within any narrow period of time could cause our stock price to fall. In addition, the issuance of the additional shares of our common stock as a result of these transactions will reduce our earnings per share, if any. This dilution could reduce the market price of our common stock unless and until we achieve revenue growth or cost savings and other business economies sufficient to offset the effect of this issuance. There can be no assurance that we will achieve revenue growth, cost savings or other business economies.

We depend on a number of third parties to provide Internet connectivity to our IBX hubs; if connectivity is interrupted or terminated, our operating results and cash flow will be materially adversely affected.

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

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

The construction required to connect multiple carrier facilities to our IBX hubs is complex and involves factors outside of our control, including regulatory processes and the availability of construction resources. If the establishment of highly diverse Internet connectivity to our IBX hubs does not occur or is materially delayed or is discontinued, our operating results and cash flow will be adversely affected. Further, many carriers are experiencing business difficulties. As a result, some carriers may be forced to terminate connectivity within our IBX hubs.

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

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

- human error;
- physical or electronic security breaches;
- fire, earthquake, flood and other natural disasters;
- water damage;
- power loss;
- sabotage and vandalism; and
- failure of business partners who provide the combined company's resale products.

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

Furthermore, we will be dependent upon Internet service providers, telecommunications carriers and other website operators in the U.S., Asia and elsewhere, some of which may have experienced significant system failures and electrical outages in the past. Users of our services may in the future experience difficulties due to system failures unrelated to our systems and services. If for any reason, these providers failed to provide the required services, our business, financial condition and results of operations could be materially adversely impacted.

A portion of the managed services business we acquired in the combination involves the processing and storage of confidential customer information. Inappropriate use of those services could jeopardize the security of customers' confidential information causing losses of data or financially impacting us or our customers. Efforts to alleviate problems caused by computer viruses or other inappropriate uses or security breaches may lead to interruptions, delays or cessation of our managed services.

There is no known prevention or defense against denial of service attacks. During a prolonged denial of service attack, the Internet service will not be available for several hours, thus impacting hosted customers on-line business transactions. Affected customers might file claims against us under such circumstances.

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

Our IBX hubs are susceptible to regional costs of power, electrical power shortages, planned or unplanned power outages caused by these shortages such as those that occurred in California during 2001 and in the Northeast in 2003, and limitations, especially internationally, of adequate power resources. The overall power shortage in California has increased the cost of energy, which we may not be able to pass on to our customers. We attempt to limit exposure to system downtime by using backup generators and power supplies. Power outages, which last beyond our backup and alternative power arrangements, could harm our customers and our business.

We resell products and services of third parties that may require us to pay for such services even if our customers fail to pay us for the services which may have a negative impact on our operating results.

In order to provide resale services such as bandwidth, managed services, backup and recovery services and other network management services, we will contract with third party service providers. These services require us to enter into fixed term contracts for services with third party suppliers of products and services. If we experience the loss of a customer who has purchased a resale product, we will remain obligated to continue paying monies to our suppliers for the term of the underlying contracts. The payment of these obligations without a corresponding payment from customers will reduce our financial resources and may have a material adverse affect on our financial performance and operating results.

We may not be able to compete successfully against current and future competitors.

Our IBX hubs and other products and services must be able to differentiate themselves from existing providers of space and services for telecommunications companies, web hosting companies and other colocation providers. In addition to competing with neutral colocation providers, we must compete with traditional colocation providers, including local phone companies, long distance phone companies, Internet service providers and web hosting facilities. Likewise, with respect to our other products and services, including managed services, bandwidth services and security services, we must compete with more established providers of similar services. Most of these companies have longer operating histories and significantly greater financial, technical, marketing and other resources than us.

Because of their greater financial resources, some of these companies have the ability to adopt aggressive pricing policies. As a result, in the future, we may suffer from pricing pressure that would adversely affect our ability to generate revenues and adversely affect our operating results. In addition, these competitors could offer colocation on neutral terms, and may start doing so in the same metropolitan areas where we have IBX hubs. Some of these competitors may also provide our target customers with additional benefits, including bundled communication services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our IBX hubs. We believe our neutrality provides us with an advantage over these competitors. However, if these competitors were able to adopt aggressive pricing policies together with offering colocation space, our ability to generate revenues would be materially adversely affected.

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

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

Our ability to maximize revenues depends on our ability to develop and grow a balanced customer base, consisting of a variety of companies, including network service providers, site and performance management companies, and enterprise and content companies. The more balanced the customer base within each IBX hub, the better we will be able to generate significant interconnection revenues, which in turn increases our overall revenues. Our ability to attract customers to our IBX hubs will depend on a variety of factors, including the presence of multiple carriers, the mix of products and services offered by us, the overall mix of customers, the IBX hub's operating reliability and security and our ability to effectively market our services. In addition, some of our customers are and will continue to be Internet companies that face many competitive pressures and that may not ultimately be successful. If these customers do not succeed, they will not continue to use the IBX hubs. This may be disruptive to our business and may adversely affect our business, financial condition and results of operations.

Our products and services have a long sales cycle that may materially adversely affect our business, financial condition and results of operations.

A customer's decision to license cabinet space in the IBX hubs and to purchase additional services typically involves a significant commitment of resources and will be influenced by, among other things, the customer's confidence in our financial strength. In addition, some customers will be reluctant to commit to locating in our IBX hubs until they are confident that the IBX hub has adequate carrier connections. As a result, we have a long sales cycle. Delays due to the length our sales cycle may materially adversely affect our business, financial condition and results of operations.

We may experience service interruptions, loss of customers and drain on resources if we are unable to renew our facility leases.

We have several short-term leases on our IBX hubs that are located outside of North America. Upon their expiration, we may not be able to renew our leases under reasonable terms, if at all and may have to relocate our IBX hubs to other facilities. A relocation of any IBX hub could result in service interruptions and significant additional expenses. In addition, seeking a new facility could divert management's attention and our resources.

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

We may seek to acquire complementary businesses, products, services and technologies. As a result of these acquisitions, we may be required to incur additional debt and expenditures and issue additional shares of our stock to pay for the acquired business, product, service or technology, which will dilute existing stockholders' ownership interest in the combined company and may delay, or prevent, our profitability. In addition, if we fail to successfully integrate and manage acquired businesses, products, services and technologies, our business and financial results would be harmed.

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

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. During the quarter ended September 30, 2001, putative shareholder class action lawsuits were filed against us, a number of our officers and directors, and several investment banks that were underwriters of our initial public offering. The suits allege that the underwriter defendants agreed to allocate stock in our initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for our initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. In July 2003 a special litigation committee of our board of directors agreed to participate in a settlement with the plaintiffs. The settlement agreement is subject to court approval and sufficient participation by defendants in similar actions. If the proposed settlement is not approved by the court or a sufficient number of defendants do not participate in the settlement, the defense of this litigation may increase our expenses and divert management's attention and resources. An adverse outcome in this litigation could seriously harm our business and results of operations. In addition, we may, in the future, be subject to other securities class action or similar litigation.

Risks Related to Our Industry

If the economy does not improve and the use of the Internet and electronic business does not grow, our revenues may not grow.

Acceptance and use of the Internet may not continue to develop at historical rates and a sufficiently broad base of consumers may not adopt or continue to use the Internet and other online services as a medium of commerce. Demand for Internet services and products are subject to a high level of uncertainty and are subject to significant pricing pressure, especially in Asia-Pacific. In addition, even if consumers do adopt and continue to use online services, we do not expect a significant increase in revenues until the economy begins to improve generally. As a result, we cannot be certain that a viable market for our IBX hubs will materialize. If the market for our IBX hubs grows more slowly than we currently anticipate, our revenues will not grow and our operating results will suffer. If we cannot grow revenues while reducing costs we may not be able to meet our debt service obligations when due. If we are unable to meet our debt service obligations our lenders could require immediate repayment of all amounts outstanding, and we do not have sufficient cash reserves to repay such amounts.

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

Various laws and governmental regulations governing Internet related services, related communications services and information technologies, and electronic commerce remain largely unsettled, even in areas where there has been some legislative action. This is true both in the U.S. and the various foreign countries in which we now operate. It may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, telecommunications services, and taxation, apply to the Internet and to related services such as ours. The combined company has little experience with such international regulatory issues and substantial resources of the company may be required to comply with regulations or bring any non-complaint business practices into compliance with such regulations. In addition, the development of the market for online commerce and the displacement of traditional telephony service by the Internet and related communications services may prompt increased call for more stringent consumer protection laws or other regulation both in the U.S. and abroad, that may impose additional burdens on companies conducting business online and their services providers. The compliance with, adoption of or modification of laws or regulations relating to the Internet, or interpretations of the existing law, could have a material adverse effect on our business, financial condition and results of operation.

Recent terrorist activity throughout the world and military action to counter terrorism could adversely impact our business.

The September 11, 2001 terrorist attacks in the U.S., the ensuing declaration of war on terrorism and the continued threat of terrorist activity and other acts of war or hostility appear to be having an adverse effect on business, financial and general economic conditions internationally. These effects may, in turn, result in increased costs due to the need to provide enhanced security, which would have a material adverse effect on our business and results of operations. These circumstances may also adversely affect our ability to attract and retain customers, our ability to raise capital and the operation and maintenance of our IBX hubs.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

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

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

Interest Rate Risk

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

An immediate 10% increase or decrease in current interest rates would furthermore not have a material impact to our debt obligations due to the fixed nature of our long-term debt obligations, except for the interest expense associated with our credit facility, which bears interest at floating rates, plus applicable margins, based on either the prime rate or LIBOR. As of September 30, 2003, the credit facility had an effective interest rate of 5.92%. The fair market value of our long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. These interest rate changes may affect the fair market value of the fixed interest rate debt but does not impact our earnings or cash flows.

The fair market value of our senior notes is based on quoted market prices. The estimated fair value of our senior notes as of September 30, 2003 was approximately $5.5 million.

Foreign Currency Risk

Prior to December 31, 2002, all of our recognized revenue had been denominated in U.S. dollars, generated mostly from customers in the U.S., and our exposure to foreign currency exchange rate fluctuations had been minimal. However, commencing in fiscal 2003, as a result of the combination, approximately 15% to 20% of our revenues and approximately 15% to 20% of our costs will be in the Asia-Pacific region, and a large portion of those revenues and costs will be denominated in a currency other than the U.S. dollar, primarily the Singapore dollar, Japanese yen and Hong Kong and Australian dollars. As a result, our operating results and cash flows will be impacted due to currency fluctuations relative to the U.S. dollar.

Furthermore, to the extent that our international sales are denominated in U.S. dollars, an increase in the value of the U.S. dollar relative to foreign currencies could make our services less competitive in the international markets. Although we will continue to monitor our exposure to currency fluctuations, and when appropriate, may use financial hedging techniques in the future to minimize the effect of these fluctuations, there can be no assurance that exchange rate fluctuations will not adversely affect our financial results in the future.

Commodity Price Risk

Certain operating costs incurred by us are subject to price fluctuations caused by the volatility of underlying commodity prices. The commodities most likely to have an impact on our results of operations in the event of significant price changes are electricity and supplies and equipment used in our IBX hubs. We are closely monitoring the cost of electricity, particularly in California. To the extent that electricity costs continue to rise, we are investigating opportunities to pass these additional power costs onto our customers that utilize this power. We do not employ forward contracts or other financial instruments to hedge commodity price risk.

Item 4. Controls and Procedures

(a) ***Evaluation of Disclosure Controls and Procedures.*** Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

(b) ***Changes in Internal Control over Financial Reporting.*** There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On July 30, 2001 and August 8, 2001, putative shareholder class action lawsuits were filed against us, certain of our officers and directors, and several investment banks that were underwriters of our initial public offering. The cases were filed in the United States District Court for the Southern District of New York, purportedly on behalf of investors who purchased our stock between August 10, 2000 and December 6, 2000. The suits allege that the underwriter defendants agreed to allocate stock in our initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. The plaintiffs allege that the prospectus for our initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. It is possible that additional similar complaints may also be filed. In July 2003, A Special Litigation Committee of the Equinix Board of Directors agreed to participate in a settlement with the plaintiffs that are anticipated to include most of the approximately 300 defendants in similar actions. This settlement agreement is subject to court approval and sufficient participation by all defendants in similar actions. Such settlement includes without limitation a guarantee of payments to the plaintiffs in the lawsuits, assignment of certain claims against the underwriters in our IPO to the plaintiffs, and a dismissal of all claims against Equinix and related individuals. Other than legal fees incurred to date, Equinix expects that all expenses of settlement, if any, will be paid by our insurance carriers. Until such settlement is finalized, we and our officers and directors intend to continue to defend the actions vigorously.

Item 2. Changes in Securities and Use of Proceeds.

(a) Modification of Constituent Instruments.

None.

(b) Change in Rights.

None.

(c) Issuance of Securities.

None.

(d) Use of Proceeds.

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

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

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

(a) Exhibits.

Exhibit Number	Description of Document
2.1**********	Combination Agreement, dated as of October 2, 2002, by and among Equinix, Inc., Eagle Panther Acquisition Corp., Eagle Jaguar Acquisition Corp., i-STT Pte Ltd, STT Communications Ltd., Pihana Pacific, Inc. and Jane Dietze, as representative of the stockholders of Pihana Pacific, Inc.
3.1††	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.
3.2††	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.
3.3†	Bylaws of the Registrant.
3.4†††††	Certificate of Amendment of the Bylaws of the Registrant.
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4.
4.2**	Form of Registrant's Common Stock certificate.
4.6*	Common Stock Registration Rights Agreement (See Exhibit 10.3).
4.9*	Amended and Restated Investors' Rights Agreement (See Exhibit 10.6).
4.10†	Registration Rights Agreement (See Exhibit 10.75).
10.1*	Indenture, dated as of December 1, 1999, by and among the Registrant and State Street Bank and Trust Company of California, N.A. (as trustee).
10.2*	Warrant Agreement, dated as of December 1, 1999, by and among the Registrant and State Street Bank and Trust Company of California, N.A. (as warrant agent).
10.3*	Common Stock Registration Rights Agreement, dated as of December 1, 1999, by and among the Registrant, Benchmark Capital Partners II, L.P., Cisco Systems, Inc., Microsoft Corporation, ePartners, Albert M. Avery, IV and Jay S. Adelson (as investors), and the Initial Purchasers.
10.4*	Registration Rights Agreement, dated as of December 1, 1999, by and among the Registrant and the Initial Purchasers.
10.5*	Form of Indemnification Agreement between the Registrant and each of its officers and directors.
10.6*	Amended and Restated Investors' Rights Agreement, dated as of May 8, 2000, by and between the Registrant, the Series A Purchasers, the Series B Purchasers, the Series C Purchasers and members of the Registrant's management.
10.8*	The Registrant's 1998 Stock Option Plan.
10.9*+	Lease Agreement with Carlyle-Core Chicago LLC, dated as of September 1, 1999.
10.10*+	Lease Agreement with Market Halsey Urban Renewal, LLC, dated as of May 3, 1999.
10.11*+	Lease Agreement with Laing Beaumeade, dated as of November 18, 1998.
10.12*+	Lease Agreement with Rose Ventures II, Inc., dated as of June 10, 1999.

Exhibit Number	Description of Document
10.13*+	Lease Agreement with Carrier Central LA, Inc., as successor in interest to 600 Seventh Street Associates, Inc., dated as of August 8, 1999.
10.14*+	First Amendment to Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of October 28, 1999.
10.15*+	Lease Agreement with Nexcomm Asset Acquisition I, L.P., dated as of January 21, 2000.
10.16*+	Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of December 15, 1999.
10.17*	Lease Agreement with ARE-2425/2400/2450 Garcia Bayshore LLC, dated as of January 28, 2000.
10.19*+	Master Agreement for Program Management, Site Identification and Evaluation, Engineering and Construction Services between Equinix, Inc. and Bechtel Corporation, dated November 3, 1999.
10.20*+	Agreement between Equinix, Inc. and WorldCom, Inc., dated November 16, 1999.
10.21*	Customer Agreement between Equinix, Inc. and WorldCom, Inc., dated November 16, 1999.
10.22*+	Lease Agreement with GIP Airport B.V., dated as of April 28, 2000.
10.23*	Purchase Agreement between International Business Machines Corporation and Equinix, Inc. dated May 23, 2000.
10.24**	2000 Equity Incentive Plan.
10.25**	2000 Director Option Plan.
10.26**	2000 Employee Stock Purchase Plan.
10.27**	Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated June 21, 2000.
10.28***+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of July 1, 2000.
10.29***+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of May 1, 2000.
10.30***+	Lease Agreement with Carrier Central LA, Inc., as successor in interest to 600 Seventh Street Associates, Inc., dated as of August 24, 2000.
10.31***+	Lease Agreement with Burlington Associates III Limited Partnership, dated as of July 24, 2000.
10.32***+	Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of August 7, 2000.

Exhibit Number	Description of Document
10.33***+	Lease Agreement with Quattrocento Limited, dated as of June 1, 2000.
10.34***	Lease Agreement with ARE-2425/2400/2450 Garcia Bayshore, LLC, dated as of March 20, 2000.
10.35***	First Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of October 11, 2000.
10.37****+	Lease Agreement with Quattrocentro Limited, dated as of June 9, 2000.
10.38****+	Lease Agreement with Compagnie des Entrepots et Magasins Generaux de Paris, dated as of July 18, 2000.
10.39****+	Second Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of December 22, 2000.
10.40****	Third Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of March 8, 2001.
10.41*****+	Fourth Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, acting in partnership under the name Naxos-Union Grundstucksverwaltungsgesellschaft GbR, dated as of July 3, 2001.
10.42*****+	First Amendment to Deed of Lease with TrizecHahn Beaumeade Technology Center LLC, dated as of March 22, 2001.
10.43*****+	First Lease Amendment Agreement with Market Halsey Urban Renewal, LLC, dated as of May 23, 2001.
10.44*****+	First Amendment to Lease with Nexcomm Asset Acquisition I, L.P., dated as of April 18, 2000.
10.45*****+	Amendment to Lease Agreement with Burlington Realty Associates III Limited Partnership, dated as of December 18, 2000.
10.46******	First Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of September 26, 2001.
10.47******	Amended and Restated Credit and Guaranty Agreement, dated as of September 30, 2001.
10.48******	2001 Supplemental Stock Plan.
10.49*******	Deed Terminating a Commercial Lease with Compagnie des Entrepots et Magasins Generaux de Paris, dated as of September 7, 2001.
10.50********	Agreement terminating the Lease Agreement with Naxos Schmirdelwork Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of April 26, 2002.
10.51********	Agreement to Surrender of a Lease Agreement by and between Equinix UK Limited and Quattrocentro Limited, dated as of February 27, 2002.

Exhibit Number	Description of Document
10.52********	Termination Agreement by and among Equinix, Inc. and Deka Immobilien Investment GMBH, successor in title to GIP Airport B.V., dated as of February 18, 2002, terminating the Lease Agreement with GIP Airport B.V., dated as of April 28, 2000.
10.53********	Second Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of May 20, 2002.
10.54********+	Amended and Restated Master Service Agreement by and between International Business Machines Corporation and Equinix, Inc., dated as of May 1, 2002.
10.55********	Agreement for Termination of Lease and Voluntary Surrender of Premises by and between ARE-2425/2400/2450 Garcia Bayshore LLC and Equinix Operating Co., Inc., dated as of July 12, 2002.
10.56*********+	Second Amendment to Lease Agreement with Burlington Realty Associates III Limited Partnership, dated as of October 1, 2002.
10.57*********+	First Amendment to Lease Agreement for property located at 2450 Bayshore Parkway, Mountain View, CA 94043, dated as of October 1, 2002.
10.58*********	Form of Severance Agreement entered into by the Company and each of the Company's executive officers.
10.59†	Second Amended and Restated Credit and Guaranty Agreement, dated as of December 31, 2002.
10.60†	Governance Agreement by and among Equinix, Inc., STT Communications Ltd., i-STT Communications Ltd.,— STT Investments Pte Ltd and the Pihana Pacific stockholder named therein, dated as of December 31, 2002.
10.61†	Tenancy Agreement over units #06-01, #06-05, #06-06, #06-07 and #06-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.62†	Tenancy Agreement over units #05-05, #05-06, #05-07 and #05-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.63†	Tenancy Agreement over units #03-01 and #03-02 of Block 28 Ayer Rajah Crescent, Singapore 139959.
10.64†	Tenancy Agreement over units #05-01, #05-02, #05-03 and #05-04 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.65†	Tenancy Agreement over units #03-05, #03-06, #03-07 and #03-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.68†	General Factory Lease Agreement dated February 21, 2001.
10.69†	Lease Agreement with Downtown Properties, LLC dated April 10, 2000, as amended.
10.70†	Lease Agreement with Comfort Development Limited dated November 10, 2000.
10.71†	Lease Agreement with PacEast Telecom Corporation dated June 15, 2000, as amended.

Exhibit Number	Description of Document
10.72†	Lease Agreement Lend Lease Real Estate Investments Limited dated October 20, 2000.
10.73†	Lease Agreement with AIPA Properties, LLC dated November 1, 1999, as amended.
10.74†	Third Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of September 30, 2002.
10.75†	Registration Rights Agreement by and among Equinix and the Initial Purchasers, dated as of December 31, 2002.
10.76†	Securities Purchase Agreement by and among Equinix, the Guarantors and the Purchasers, dated as of October 2, 2002.
10.77†	Series A-1 Convertible Secured Note Due 2007 issued to i-STT Investments Pte Ltd on December 31, 2002.
10.78†	Preferred Stock Warrant issued to i-STT Investments Pte Ltd on December 31, 2002.
10.79†	Change in Control Warrant issued to i-STT Investments Pte Ltd on December 31, 2002.
10.80†††††	Series A Cash Trigger Warrant issued to i-STT Investments Pte Ltd on June 5, 2003.
10.81†††††	Series B Cash Trigger Warrant issued to i-STT Investments Pte Ltd on June 5, 2003.
10.82†	First Supplemental Indenture between Equinix and State Street Bank and Trust Company of California, N.A., as Trustee, dated as of December 28, 2002.
10.83†††	Securities Purchase and Admission Agreement, dated April 29, 2003, among Equinix, certain of Equinix's subsidiaries, i-STT Investments Pte Ltd, STT Communications Ltd and affiliates of Crosslink Capital.
10.84††††	Sublease by and between Electronics for Imaging as Landlord and Equinix Operating Co., Inc. as Tenant dated February 12, 2003.
10.85†††††	Form of Series A-2 Convertible Secured Note Due 2007 issued to entities affiliated with Crosslink Ventures on June 5, 2003.
10.86†††††	Form of Common Stock Warrant issued to entities affiliated with Crosslink Ventures on June 5, 2003
10.87†††††	Form of Series A-2 Change in Control Warrant issued to entities affiliated with Crosslink Ventures on June 5, 2003
10.88†††††	Form of Series A Cash Trigger Warrant issued to entities affiliated with Crosslink Ventures on June 5, 2003.
10.89†††††	Form of Series B Cash Trigger Warrant issued to entities affiliated with Crosslink Ventures on June 5, 2003.
10.90†††††	Expatriate Agreement with Philip Koen, President and Chief Operating Officer of the Company, dated as of June 24, 2003.
10.91†††††	Agreement on the Termination of General Factory Lease Agreement dated May 21, 2003.

Exhibit Number	Description of Document
10.92	Renewal of Tenancy Agreements over units #06-01, #06-05/08, #05-05/08, #03-05/08 & #05-01/04 of Block 20 Ayer Rajah Crescent, Singapore 139964.
16.1*	Letter regarding change in certifying accountant.
21.1†	Subsidiaries of Equinix.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*	Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement on Form S-4 (Commission File No. 333-93749).
**	Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement in Form S-1 (Commission File No. 333-39752).
***	Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
****	Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
*****	Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
******	Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
*******	Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.
********	Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
*********	Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
**********	Incorporated herein by reference to Annex A of Equinix's Definitive Proxy Statement filed with the Commission December 12, 2002.
†	Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
††	Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2002.
†††	Incorporated herein by reference to exhibit 10.1 in the Registrant's filing on Form 8-K on May 1, 2003.
††††	Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
†††††	Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
+	Confidential treatment has been requested for certain portions which are omitted in the copy of the exhibit electronically filed with the Securities and Exchange Commission. The omitted information has been filed separately with the Securities and Exchange Commission pursuant to Equinix's application for confidential treatment.

(b) Reports on Form 8-K.

On July 29, 2003, the Company filed a Current Report on Form 8-K to file the Company's press release from July 29, 2003, in which the Company reported its 2003 second quarter results.

On August 1, 2003, the Company filed a Current Report on Form 8-K to announce that the Company's executive officers had written into stock selling plans for asset diversification purposes in accordance with SEC Rule 10b5-1, pursuant to which each officer will gradually liquidate a portion of their holdings in the Company. This Current Report on Form 8-K was amended by a Current Report on Form 8-K/A filed on August 4, 2003.

EQUINIX, INC.

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.

EQUINIX, INC.

Date: October 28, 2003

By: /S/ RENEE F. LANAM

Chief Financial Officer and Secretary
(Principal Financial Officer)

/S/ KEITH D. TAYLOR

Vice President, Finance
(Principal Accounting Officer)

Exhibit 10.92

JTC(L) 7329/30

JTC
Corporation

18 September 2003

Equinix Singapore Pte. Ltd.
28 Ayer Rajah Crescent
#03-01
Singapore 139959

BY LOCAL URGENT MAIL
& FAX: 6820 2006

Attention : Mr. Lee Yoong Kin / Sim Thiam Chye

Dear Sirs,

RENEWAL OFFER OF TENANCY FOR FLATTED FACTORY KNOWN AS PRIVATE LOT A19857, A19857a, A19857b, A19857c, A19857d AT 20 AYER RAJAH CRESCENT #06-01, #06-05/08, #05-05/08 & #05-01/04 S(139964)

1(a) Please be informed that this letter shall supercede our renewal offer dated 25 July 2003.

(b) We refer to your tenancy of the Premises. In accordance with the letters of offer dated 25 Jan 00, 24 May 00 and 9 Oct 00, we are pleased to inform you that we are prepared to renew the Tenancy for a further term of 3 years ("the Term") commencing from 1 August 2003 ("the Commencement Date") upon the same convenants, terms and conditions except for the Option for Renewal and the following:

(b1) rate of Rent and Service Charge and

(b2) amount of the Security Deposit.

(c) The revised rate(s) of Rent, discounted Rent and Service Charge and the amount of the Security Deposit are shown in the Payment Table attached in **Annex A**.

(d) The discounted rents are granted subject to the following conditions:

(d1) your full acceptance to our offer of tenancy for premises at Blk 20 Ayer Rajah Crescent #04-01/10 dated 17 September 2003.

(d2) in the event that the aggregate floor area occupied by you is at any time reduced to below 9,449.3 square metres, the discounted rent as shown in Annex A will no longer be applicable with effect from the date of reduction of the aggregate floor area.

(d3) the service charge of $4.50 per square metre per month shall remain unchanged.

2. Please note that our offer herein shall lapse if we do not received the following by **30 September 2003**:

(a) Duly signed letter of acceptance of the Offer, in the form set out in the Letter of Acceptance attached in **Annex B**. We shall stamp the Letter of Acceptance and return the stamped letter to you; (*Please date as required in your letter of acceptance*)

(b) Payment of the sum set in the Payment Table attached;

(c) You have an existing account with us from which we shall deduct the aforesaid payments. You are therefore not required to submit a duly completed GIRO form. But if you wish to have a separate GIRO account to meet the aforesaid payments, please complete the GIRO deduction form enclosed.

(d) However, pending finalization for the GIRO arrangement, you shall pay Rent, Service Charge and GST at prevailing rate as they fall due by Cheque or Cashier's Order.

3. Please also note that our offer herein does not at any time prejudice or waive any of our rights or remedies for breaches of your obligations to us. Any waiver by us, to be effective, must be clearly and specifically stated in writing.

Your faithfully

/s/ Lai Get Luan

Lai Get Luan (Ms)
Deputy Manager (Lease Management)
Lease Management & Service Delivery Dept
Customer Services Group
DID : 68833339
FAX : 68855894
Email : getluan@jtc.gov.sg
Mobile : 97875657

JTC(l) 7329/30

JTC
Corporation

20 October 2003

Equinix Singapore Pte. Ltd.
28 Ayer Rajah Crescent
#03-01
Singapore 139959

Attention : Mr. Lee Yoong Kin / Sim Thiam Chye

Dear Sirs,

RENEWAL OFFER OF TENANCY FOR FLATTED FACTORY KNOWN AS PRIVATE LOT A19857, A19857a; A19857b, A19857c, A19857d AT 20 AYER RAJAH CRESCENT #06-01, #06-05/08, #05-05/08, #03-05/08 & #05-01/04 S(139964)

1. We refer to our letter of offer dated 18 September 2003.
2. Please note the amendment of paragraph 1(d)d1 which should read as follows:

   "your full acceptance to our offer of tenancy for premises at Blk 20 Ayer Rajah Crescent #03-01/04 dated 19 September 2003."

Yours sincerely

/s/ TAN CHIN SHIN

Tan Chin Shin (Ms)
Assistant Manager (Lease Management)
Lease Management & Service Delivery Dept
Customer Services Group
DID : 68833303
FAX : 68855894
Email : chinshin@jtc.gov.sg.

[Equinix Singapore Pte Ltd Letterhead]

22nd September 2003

JTC Corporation
Lease Management & Service Delivery Dept
The JTC Summit
8 Jurong Town Hall Road
Singapore 609434

ATTN: Ms. Lai Get Luan

Dear Sirs,

RENEWAL OF TENANCY OF PTE LOT A19857, A19857a, A19857b; A19857c & A19857d AT 20 AYER RAJAH CRESENT #06-01, #06-05/08, #05-05/08, #03-05/08 & #05-01/04 S(139964)

We refer to your Letter of Offer dated 18 September 2003 and hereby confirm acceptance of the covenants, terms and conditions of the Tenancy.

We are currently on GIRO, thus we enclose a cheque for the amount of S$12,400.00 and a Banker's Guarantee for the amount of S$132,502.11 (1 month's rental and service charge) as security deposit as confirmation of our acceptance.

/s/ LEE YOONG KIN

Signature of authorized signatory
Name: Lee Yoong Kin
Designation: Managing Director

For and on behalf of:
EQUINIX SINGAPORE PTE LTD

in the presence of:

/s/ TAN AYE SEE

Name of witness: Tan Aye See
NRIC No. 15H8786

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter F. Van Camp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Equinix, 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 functions):

(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.

Dated: October 28, 2003

/s/ PETER F. VAN CAMP

Peter F. Van Camp
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Renee F. Lanam, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Equinix, 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 (the registrant’s fourth fiscal quarter in the case of an annual report) 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 functions):

(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.

Dated: October 28, 2003

/s/ RENEE F. LANAM

Renee F. Lanam
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Equinix, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter F. Van Camp, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ PETER F. VAN CAMP

Peter F. Van Camp
Chief Executive Officer
October 28, 2003

Exhibit 32.2

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

In connection with the Quarterly Report of Equinix, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Renée F. Lanam, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ RENEE F. LANAM

Renée F. Lanam
Chief Financial Officer
October 28, 2003