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, 2004

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, 2004 was 18,459,337.

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PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	September 30, 2004	December 31, 2003
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 42,584	$ 60,428
Short-term investments	54,988	12,543
Accounts receivable, net	12,875	10,178
Prepaids and other current assets	3,220	3,139
Total current assets	113,667	86,288
Long-term investments	1,241	—
Property and equipment, net	318,234	343,554
Goodwill	21,311	21,228
Debt issuance costs, net	3,197	5,954
Other assets	9,892	7,508
Total assets	$ 467,542	$ 464,532
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 21,573	$ 18,880
Accrued interest payable	2,367	1,114
Current portion of debt facilities and capital lease obligations	—	2,689
Current portion of credit facility	—	12,000
Other current liabilities	6,996	3,843
Total current liabilities	30,936	38,526
Debt facilities and capital lease obligations, less current portion	—	723
Credit facility, less current portion	—	22,281
Senior notes	—	29,220
Convertible secured notes	33,064	31,683
Convertible subordinated debentures	86,250	—
Deferred rent and other liabilities	26,095	22,022
Total liabilities	176,345	144,455
Stockholders' equity:		
Preferred stock	2	2
Common stock	18	15
Additional paid-in capital	772,115	755,698
Deferred stock-based compensation	(355)	(1,032)
Accumulated other comprehensive income	1,183	1,198
Accumulated deficit	(481,766)	(435,804)
Total stockholders' equity	291,197	320,077
Total liabilities and stockholders' equity	$ 467,542	$ 464,532

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
	(unaudited)			
Revenues	$ 42,439	$ 30,919	$ 118,682	$ 84,788
Costs and operating expenses:				
Cost of revenues	34,310	33,314	102,245	95,567
Sales and marketing	4,433	4,823	13,498	14,210
General and administrative	8,294	7,068	24,544	26,350
Total costs and operating expenses	47,037	45,205	140,287	136,127
Loss from operations	(4,598)	(14,286)	(21,605)	(51,339)
Interest income	335	46	819	182
Interest expense	(2,352)	(5,478)	(8,765)	(15,317)
Loss on debt extinguishment and conversion	—	—	(16,211)	—
Net loss before income taxes	(6,615)	(19,718)	(45,762)	(66,474)
Income taxes	—	—	(200)	—
Net loss	$ (6,615)	$ (19,718)	$ (45,962)	$ (66,474)
Net loss per share:				
Basic and diluted	$ (0.36)	$ (2.12)	$ (2.65)	$ (7.52)
Weighted-average shares	18,386	9,293	17,370	8,837

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30, 2004	Nine months ended September 30, 2003
	(unaudited)	
Cash flows from operating activities:		
Net loss	$ (45,962)	$ (66,474)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and accretion	42,169	46,212
Amortization of intangible assets and non-cash prepaid rent	1,668	1,562
Amortization of deferred stock-based compensation	1,019	2,160
Non-cash interest expense	6,046	7,245
Allowance for (recovery of) doubtful accounts	(106)	164
Deferred rent	4,030	2,328
Loss on disposal of assets	35	—
Loss on debt extinguishment and conversion	16,211	—
Changes in operating assets and liabilities:		
Accounts receivable	(2,591)	(194)
Prepaids and other current assets	44	4,594
Other assets	(1,479)	518
Accounts payable and accrued expenses	2,903	(1,263)
Accrued restructuring charges	(761)	(10,617)
Accrued merger and financing costs	—	(4,478)
Accrued interest payable	(60)	(990)
Other current liabilities	3,153	(722)
Other liabilities	(33)	(389)
Net cash provided by (used in) operating activities	26,286	(20,344)
Cash flows from investing activities:		
Purchases of short-term and long-term investments	(67,682)	(3,500)
Maturities of short-term investments	18,986	—
Sales of short-term investments	5,010	—
Purchases of property and equipment	(16,783)	(2,889)
Accrued property and equipment	551	—
Purchases of restricted cash	—	(50)
Sale of restricted cash	—	2,256
Net cash used in investing activities	(59,918)	(4,183)
Cash flows from financing activities:		
Proceeds from exercise of warrants, stock options and employee stock purchase plan	3,631	1,521
Proceeds from convertible secured notes	—	10,000
Proceeds from convertible subordinated debentures	86,250	—
Repayment of debt facilities and capital lease obligations	(3,527)	(5,102)
Repayment of credit facility	(34,281)	(990)
Repayment of senior notes	(30,475)	—
Debt issuance costs	(3,242)	(458)
Debt extinguishment costs	(2,505)	—
Net cash provided by financing activities	15,851	4,971
Effect of foreign currency exchange rates on cash and cash equivalents	(63)	63
Net decrease in cash and cash equivalents	(17,844)	(19,493)
Cash and cash equivalents at beginning of period	60,428	41,216
Cash and cash equivalents at end of period	$ 42,584	$ 21,723
Supplemental cash flow information:		
Cash paid for interest	$ 2,657	$ 10,210

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, 2003 has been derived from audited financial statements at that date. The financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission ("SEC"), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles. For further information, refer to the Consolidated Financial Statements and Notes thereto included in Equinix's Form 10-K as filed with the SEC on March 5, 2004. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

In February 2004, the Company sold $86.3 million in aggregate principal of 2.5% Convertible Subordinated Debentures due 2024 to qualified institutional buyers. The Company used the net proceeds from this offering to repay all amounts outstanding under the Credit Facility, the Heller Loan Amendment, the VLL Loan Amendment and the Senior Notes during February and March 2004. All remaining proceeds will be used for general corporate purposes. In addition, in March 2004, holders of the Company's $10.0 million in Convertible Secured Notes issued in connection with the Crosslink Financing, converted the $10.0 million of principal into 2.5 million shares of the Company's common stock. The Company refers to this transaction as the "Crosslink Conversion". As a result of the extinguishment of debt associated with the Credit Facility, Heller Loan Amendment, VLL Loan Amendment and the Senior Notes, as well as the Crosslink Conversion, the Company recognized a loss on debt extinguishment and conversion totaling $16.2 million (see Note 9).

As of September 30, 2004, the Company had $98.8 million of cash, cash equivalents and short-term and long-term investments. The Company believes that this cash, coupled with anticipated cash flows generated from operations, will be sufficient to meet the Company's capital expenditure, working capital, debt service and corporate overhead requirements within the Company's currently identified business objectives.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Revenue Recognition and Allowance for Doubtful Accounts

Equinix derives more than 90% of its revenues from recurring revenue streams, consisting primarily of (1) colocation services, such as from the licensing of cabinet space and power; (2) interconnection services, such as cross connects and Gigabit Ethernet ports and (3) managed infrastructure services, such as Equinix Direct, bandwidth and other e-business services such as mail service and managed platform solutions. The remainder of the Company's revenues are from 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. 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 estimated reliably, in which case fees are recognized upon the completion of services. Non-recurring installation fees, although generally paid in a lump sum upon installation, 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. Revenue from bandwidth and equipment is recognized on a gross basis in accordance with EITF Abstract No. 99-19, "Recording Revenue as a Principal versus Net as an Agent", primarily because the Company acts as the principal in the transaction, takes title to products and services and bears inventory and credit risk. Revenue from contract settlements is recognized on a cash basis when no remaining performance obligations exist to the extent that the revenue has not previously been recognized.

The Company occasionally 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 generally 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 only when the service has been provided and 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 collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. The Company generally 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 analyzes 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.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Net Loss per Share

The Company computes net loss per share in accordance with SFAS No. 128, “Earnings per Share,” SEC Staff Accounting Bulletin (“SAB”) No. 98 and EITF Issue 03-6, “Participating Securities and the Two-Class Method Under FASB 128”, which the Company just adopted during the second quarter of 2004. Under the provisions of SFAS No. 128, SAB No. 98 and EITF Issue 03-6, basic and diluted net loss per share are computed using the weighted-average number of common shares outstanding. Options and warrants were not included in the computation of diluted net loss per share because the effect would be anti-dilutive, and do not qualify as participating securities under EITF Issue 03-6. Under EITF Issue 03-6, the Company’s preferred stock qualifies as a participating security, but were not included in the Company’s basic and diluted net loss per share calculations as the holder of preferred stock does not have a contractual obligation to share in the Company’s losses.

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

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Numerator:				
Net loss	$ (6,615)	$ (19,718)	$ (45,962)	$ (66,474)
Historical:				
Denominator:				
Weighted-average shares	18,386	9,294	17,370	8,840
Weighted-average unvested shares subject to repurchase	—	(1)	—	(3)
Total weighted-average shares	18,386	9,293	17,370	8,837
Net loss per share:				
Basic and diluted	$ (0.36)	$ (2.12)	$ (2.65)	$ (7.52)

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,	
	2004	2003
Series A preferred stock	1,868,667	1,868,667
Series A preferred stock warrant	965,674	965,674
Shares reserved for conversion of convertible secured notes	3,917,018	5,921,275
Shares reserved for conversion of convertible subordinated debentures	2,183,548	—
Common stock warrants	329,954	245,882
Common stock options	4,195,568	3,500,481
Common stock subject to repurchase	—	527

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce tax assets to the amounts expected to be realized.

The Company is currently in a net deferred tax asset position, which has been fully reserved. The Company will continue to provide a valuation allowance for the net deferred tax asset until it becomes more likely than not that the net deferred tax asset will be realizable. For the three and nine months ended September 30, 2004, the Company recorded a tax provision of none and $200,000, respectively, which is attributable to federal alternative minimum tax. No income tax provision was recorded for the three and nine months ended September 30, 2003. The Company expects the alternative minimum tax situation to continue throughout the current taxable year based on its financial outlook for the year. Although the Company recorded a tax provision for the nine months ended September 30, 2004 for book purposes, it is not a cash liability due to sufficient stock option deductions, which can be taken for tax return purposes. The Company has recorded this income tax provision within accounts payable and accrued expenses on the accompanying balance sheet as of September 30, 2004, along with other taxes, such as personal and real property taxes (see Note 6).

Stock-Based Compensation

The Company accounts for its stock-based compensation plans in accordance with SFAS No. 123, “Accounting for Stock-Based Compensation.” As permitted under SFAS No. 123, the Company uses the intrinsic value-based method of Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” to account for its employee stock-based compensation plans. Under APB Opinion No. 25, compensation expense is based on the difference, if any, on the date of grant, between the fair value of the Company’s shares and the exercise price of the option.

Unearned deferred compensation resulting from employee option grants is amortized on an accelerated basis over the vesting period of the individual options, in accordance with FASB Interpretation No. 28, “Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans” (“FASB Interpretation No. 28”).

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 was 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. The amortization of the deferred stock-based compensation related to these pre-IPO stock options ended in August 2004. In addition, in September 2003, the Compensation Committee of 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 is amortized over the three-year vesting period of this grant. As of September 30, 2004, there was a total of $355,000 of deferred stock-based compensation remaining to be amortized for this grant to the Company’s chief executive officer. The Company expects stock-based compensation expense related to this specific option grant to impact its results of operations through 2006.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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,	
	2004	2003	2004	2003
Cost of revenues	$ 13	$ (16)	$ 35	$ 49
Sales and marketing	6	61	51	243
General and administrative	140	447	933	1,868
	$159	$492	$1,019	$2,160

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,	
	2004	2003	2004	2003
Net loss as reported	$ (6,615)	$ (19,718)	$ (45,962)	$ (66,474)
Stock-based compensation expense included in net loss	159	492	1,019	2,160
Stock-based compensation expense if SFAS No.123 had been adopted	(6,020)	(2,011)	(16,191)	(8,104)
Pro forma net loss	$ (12,476)	$ (21,237)	$ (61,134)	$ (72,418)
Basic and diluted net loss per share:				
As reported	$ (0.36)	$ (2.12)	$ (2.65)	$ (7.52)
Pro forma	(0.68)	(2.29)	(3.52)	(8.19)

The Company's fair value calculations for employee grants were made using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Dividend yield	0%	0%	0%	0%
Expected volatility	90%	135%	99%	135%
Risk-free interest rate	3.12%	3.75%	2.51%	3.75%
Expected life (in years)	3.50	3.50	3.49	3.50

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Goodwill and Other Intangible Assets

Goodwill and other intangible assets, net, consisted of the following as of September 30, 2004 and December 31, 2003 (in thousands):

	September 30, 2004	December 31, 2003
	(unaudited)	
Goodwill	$ 21,311	$ 21,228
Other intangibles:		
Intangible asset – customer contracts	3,992	3,927
Intangible asset – tradename	308	300
Intangible asset – workforce	160	160
	4,460	4,387
Accumulated amortization	(3,721)	(2,106)
	739	2,281
	$ 22,050	$ 23,509

Other intangible assets, net, are included in other assets on the accompanying balance sheets as of September 30, 2004 and December 31, 2003.

For the three and nine months ended September 30, 2004, the Company recorded amortization expense of $510,000 and $1,539,000, respectively. For the three and nine months ended September 30, 2003, the Company recorded amortization expense of $518,000 and $1,562,000, respectively. The Company expects to record the following amortization expense during the next five years (in thousands):

Year ending:	
2004	$ 2,043
2005	60
2006	60
2007	60
2008	55
Total	$ 2,278

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2. Santa Clara IBX Acquisition

In December 2003, the Company closed a definitive agreement to sublease an already constructed data center in Santa Clara, California, and acquire certain related assets from Sprint Communications Company, L.P. (“Sprint”). The Company refers to this transaction as the Santa Clara IBX acquisition (the “Santa Clara IBX Acquisition”).

As a result of the Santa Clara IBX Acquisition, the Company recorded the following assets and liabilities as of December 1, 2003 (in thousands):

Property and equipment	$ 3,980
Intangible asset – customer contracts	300
Intangible asset – workforce	160
Total assets acquired	$ 4,440
Use tax payable	$ 317
Asset retirement obligation	63
Unfavorable lease obligation	4,060
Total liabilities acquired	$ 4,440

The sublease with Sprint, which expires in 2014, has payment terms which based on the findings of an independent valuation appraisal were at a premium to prevailing market rates for similar properties at the time of the Santa Clara IBX Acquisition. As a result, the Company recorded an unfavorable lease liability of $4,060,000, which will be amortized into rent expense over the term of this sublease. In addition, the Company recorded both a use tax and asset retirement obligation liability in connection with this property.

Pursuant to the terms of the sublease agreement with Sprint, the Company obtained title to certain fixed assets contained within this IBX hub, which had a total deemed fair value of $3,980,000. Concurrent with the negotiations with Sprint to sublease the property and take over the operations of this IBX hub, the Company also negotiated with the various customers already located within this IBX hub and entered into new contracts with the key customers. The Company also hired a number of Sprint employees that were working within this IBX hub. The customer contracts intangible asset has a useful life of five years, the term of the primary key customer contract, and the workforce intangible asset has a useful life of one year.

3. Related Party Transactions

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, 2004, revenues recognized with related parties, primarily entities affiliated with STT Communications, were $1,474,000 and $3,980,000, respectively, and as of September 30, 2004, accounts receivable with these related parties was $1,130,000. For the three and nine months ended September 30, 2004, costs and services procured with related parties, primarily entities affiliated with STT Communications, were $1,242,000 and $2,060,000, respectively, and as of September 30, 2004, accounts payable with these related parties was $470,000. 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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

4. Accounts Receivable

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

	September 30, 2004	December 31, 2003
	(unaudited)	
Accounts receivable	$ 26,157	$ 19,164
Unearned revenue	(13,007)	(8,671)
Allowance for doubtful accounts	(275)	(315)
	$ 12,875	$ 10,178

Unearned revenue consists of the pre-billing for services that have not yet been provided, but which have been billed to customers in advance 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. Property and Equipment

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

	September 30, 2004	December 31, 2003
	(unaudited)	
Leasehold improvements	$ 392,469	$ 383,574
IBX plant and machinery	65,597	64,557
Computer equipment and software	20,847	18,875
IBX equipment	44,691	40,023
Furniture and fixtures	2,028	1,979
	525,632	509,008
Less accumulated depreciation	(207,398)	(165,454)
	$ 318,234	$ 343,554

Included within leasehold improvements is the value attributed to the earned portion of several warrants issued to certain fiber carriers and the Company's contractor totaling $9,883,000 at both September 30, 2004 and December 31, 2003. Amortization of such warrants is included in depreciation expense.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands):

	September 30, 2004	December 31, 2003
	(unaudited)	
Accounts payable	$ 4,518	$ 3,833
Accrued compensation and benefits	4,031	3,655
Accrued taxes	3,788	2,539
Accrued property and equipment	3,005	2,454
Accrued utility and security	2,381	2,017
Accrued professional fees	2,178	1,281
Accrued repairs and maintenance	712	634
Accrued restructuring charges	67	828
Accrued other	893	1,639
	$ 21,573	$ 18,880

7. Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	September 30, 2004	December 31, 2003
	(unaudited)	
Customer deposits	$ 2,762	$ 109
Deferred installation revenue	3,664	2,693
Other current liabilities	570	1,041
	$ 6,996	$ 3,843

8. Deferred Rent and Other Liabilities

Deferred rent and other liabilities consisted of the following (in thousands):

	September 30, 2004	December 31, 2003
	(unaudited)	
Deferred rent	$ 24,045	$ 19,889
Other liabilities	2,050	2,133
	$ 26,095	$ 22,022

The Company leases its IBX hubs and certain equipment under noncancelable operating lease agreements expiring through 2020. The centers' lease agreements typically provide for base rental rates that increase at defined intervals during the term of the lease. In addition, the Company had negotiated rent expense abatement periods in some IBX hubs to better match the phased build-out of certain of its centers. The Company accounts for such abatements and increasing base rentals using the straight-line method over the life of the lease. The difference between the straight-line expense and the cash payment is recorded as deferred rent.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

9. Debt Facilities

Convertible Secured Notes

On May 1, 2004, pursuant to the terms of the Convertible Secured Notes, the Company issued the third PIK Note to STT Communications in the amount of $2,352,000, representing interest accrued from November 1, 2003 to April 30, 2004. The terms of this 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. Through September 30, 2004, the Company has issued three PIK Notes to STT Communications totaling $5,950,000, and as of September 30, 2004, the Company had additional accrued interest of $2,097,000. As of September 30, 2004, the initial Convertible Secured Note issued on December 31, 2002 plus all PIK Notes issued subsequently to STT Communications (collectively, the "Convertible Secured Notes") are convertible into 3,917,018 shares of the Company's common stock at any time at the option of STT Communications. Upon certain conditions, including if the closing price of the Company's common stock exceeds $32.12 per share for thirty consecutive trading days, the Company will also have the option to convert the Convertible Secured Notes beginning in 2005. Through December 31, 2005, the Company may convert 95% of the Convertible Secured Notes and after December 31, 2005, the Company may convert 100% of the Convertible Secured Notes if such conditions are met.

Convertible Subordinated Debentures

In February 2004, the Company issued $86,250,000 principal amount of 2.5% Convertible Subordinated Debentures due February 15, 2024 (the "Convertible Subordinated Debentures"). Interest is payable semi-annually, in arrears, on February 15 and August 15 of each year.

The Convertible Subordinated Debentures are governed by the Indenture dated February 11, 2004, between the Company, as issuer, and U.S. Bank National Association, as trustee (the "Indenture"). The Indenture does not contain any financial covenants or any restrictions on the payment of dividends, the incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by the Company. The Convertible Subordinated Debentures are unsecured and rank junior in right of payment to the Company's existing or future senior debt.

The Convertible Subordinated Debentures are convertible into shares of the Company's common stock. Each $1,000 principal amount of Convertible Subordinated Debentures are convertible into 25.3165 shares of the Company's common stock. This represents an initial conversion price of approximately $39.50 per share of common stock. As of September 30, 2004, the Convertible Subordinated Debentures were convertible into 2,183,548 shares of the Company's common stock. Holders of the Convertible Subordinated Debentures may convert their individual debentures into shares of the Company's common stock only under any of the following circumstances:

- during any calendar quarter after the quarter ending June 30, 2004 (and only during such calendar quarter) if the sale price of the Company's common stock, for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter, is greater than or equal to 120% of the conversion price per share of our common stock, or approximately $47.40 per share;
- subject to certain exceptions, during the five business-day period after any five consecutive trading-day period in which the trading price per Convertible Subordinated Debenture for each day of that period was less than 98% of the product of the sale price of the Company's common stock and the conversion rate on each such day;

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

- if the Convertible Subordinated Debentures have been called for redemption; or
- upon the occurrence of certain specified corporate transactions described in the Indenture, such as a consolidation, merger or binding share exchange in which the Company's common stock would be converted into cash or property other than securities.

The conversion rates may be adjusted upon the occurrence of certain events including for any cash dividend, but they will not be adjusted for accrued and unpaid interest. Holders of the Convertible Subordinated Debentures will not receive any cash payment representing accrued and unpaid interest upon conversion of a debenture. Instead, interest will be deemed cancelled, extinguished and forfeited upon conversion. Convertible Subordinated Debentures called for redemption may be surrendered for conversion prior to the close of business on the business day immediately preceding the redemption date.

The Company may redeem all or a portion of the Convertible Subordinated Debentures at any time after February 15, 2009 at a redemption price equal to 100% of the principal amount of the Convertible Subordinated Debentures, plus accrued and unpaid interest, if any, to but excluding the date of redemption.

Holders of the Convertible Subordinated Debentures have the right to require us to purchase all or a portion of the Convertible Subordinated Debentures on February 15, 2009, February 15, 2014 and February 15, 2019, each of which is referred to as a purchase date. In addition, upon a fundamental change of the Company, as defined in the Indenture, each holder of the Convertible Subordinated Debentures may require us to repurchase some or all of the Convertible Subordinated Debentures at a purchase price equal to 100% of the principal amount plus accrued and unpaid interest.

The Company has considered the guidance in EITF Abstract No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", and has determined that the Convertible Subordinated Debentures do 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 initial conversion price outlined in the agreement. The Convertible Subordinated Debentures contained two embedded derivatives, a bond parity clause and a contingent interest provision, which no longer exists as a result of the filing of a registration statement, which was declared effective by the SEC in July 2004. The remaining embedded derivative, the bond parity clause, had a zero fair value as of September 30, 2004. The Company will be remeasuring the remaining embedded derivative each reporting period, as applicable. Changes in fair value will be reported in the statement of operations.

The costs related to the Convertible Subordinated Debentures were capitalized and are being amortized to interest expense using the effective interest method, through February 15, 2009, the first date that the holders of the Convertible Subordinated Debentures can force redemption to the Company. Debt issuance costs related to the Convertible Subordinated Debentures, net of amortization, were $2,812,000 as of September 30, 2004.

Credit Facility

In February 2004, with the proceeds from the Convertible Subordinated Debentures, the Company repaid all amounts outstanding under the Credit Facility, including $34,281,000 of principal, plus accrued and unpaid interest, and terminated the Credit Facility. As a result, the Company recognized a loss on debt extinguishment on this transaction of $4,405,000, comprised of the write-off of unamortized debt issuance costs totaling $4,282,000 and other transaction fees of $123,000. Refer to Loss on Debt Extinguishment and Conversion below.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Heller Loan Amendment

In February 2004, with the proceeds from the Convertible Subordinated Debentures, the Company repaid all amounts outstanding under the Heller Loan Amendment, including $2,177,000 of principal, plus accrued and unpaid interest, and terminated the Heller Loan Amendment. As a result, the Company recognized a loss on debt extinguishment on this transaction of $267,000, comprised of the write-off of unamortized debt issuance costs and debt discount totaling $87,000 and other transaction fees of $180,000. Refer to Loss on Debt Extinguishment and Conversion below.

VLL Loan Amendment

In March 2004, with the proceeds from the Convertible Subordinated Debentures, the Company repaid all amounts outstanding under the VLL Loan Amendment, including $749,000 of principal, plus accrued and unpaid interest, and terminated the VLL Loan Amendment. As a result, the Company recognized a loss on debt extinguishment on this transaction of $170,000, comprised of the write-off of unamortized debt issuance costs and debt discount totaling $74,000 and other transaction fees of $96,000. Refer to Loss on Debt Extinguishment and Conversion below.

Senior Notes

In March 2004, with the proceeds from the Convertible Subordinated Debentures, the Company redeemed all amounts outstanding under the Senior Notes, including $30,475,000 of principal, plus accrued and unpaid interest, and terminated the Senior Notes. The redemption price of the Senior Notes was equal to 106.5% of their principal, which resulted in an additional cash premium paid of $1,981,000 (the “Senior Note Cash Premium”). As a result, the Company recognized a loss on debt extinguishment on this transaction of $3,759,000, comprised of the Senior Note Cash Premium, the write-off of unamortized debt issuance costs and debt discount totaling $1,653,000 and other transaction fees of $125,000. Refer to Loss on Debt Extinguishment and Conversion below.

Crosslink Conversion

In March 2004, holders of the Company’s Convertible Secured Notes issued in connection with the Crosslink Financing, converted the $10,000,000 of principal into 2,500,000 shares of the Company’s common stock. The Company refers to this transaction as the “Crosslink Conversion”. As a result of the Crosslink Conversion, the Company recognized a loss on debt conversion on this transaction of $7,610,000, representing the write-off of unamortized debt discount. Refer to Loss on Debt Extinguishment and Conversion below.

Loss on Debt Extinguishment and Conversion

As a result of the extinguishment of debt associated with the Credit Facility, Heller Loan Amendment, VLL Loan Amendment and the Senior Notes, as well as the Crosslink Conversion, the Company recognized a total loss on debt extinguishment and conversion totaling $16,211,000 for the nine months ended September 30, 2004, as summarized below (in thousands):

	Credit facility	Heller loan amendment	VLL loan amendment	Senior notes	Crosslink conversion	Total
Write-off of debt issuance costs and discounts	$ 4,282	$ 87	$ 74	$1,653	$ 7,610	$13,706
Senior note cash premium	—	—	—	1,981	—	1,981
Other transaction costs	123	180	96	125	—	524
	$ 4,405	$ 267	$ 170	$3,759	$ 7,610	$16,211

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Maturities

Combined aggregate maturities for the Company's Convertible Secured Notes and Convertible Subordinated Debentures as of September 30, 2004 are as follows (in thousands) (unaudited):

	Convertible secured notes	Convertible subordinated debentures	Total
2004	$ —	$ —	$ —
2005	—	—	—
2006	—	—	—
2007	35,950	—	35,950
2008 and thereafter	—	86,250	86,250
	35,950	86,250	122,200
Less amount representing unamortized discount	(2,886)	—	(2,886)
	$ 33,064	$ 86,250	$119,314

10. Stockholders' Equity

On January 1, 2004, pursuant to the provisions of the Company's stock plans, the number of common shares in reserve automatically increased by 905,066 shares for the 2000 Equity Incentive Plan, 301,689 shares for the Employee Stock Purchase Plan and 50,000 shares for the 2000 Director Stock Option Plan.

During the quarter ended March 31, 2004, the Compensation Committee of the Board of Directors granted options to certain employees, including all officers of the Company, to purchase 1,262,000 shares of common stock at a weighted-average exercise price of $28.95 per share under the Company's stock plans.

In June 2004, the Company's stockholders approved the adoption of the 2004 Employee Stock Purchase Plan and International Employee Stock Purchase Plan (collectively, the "Purchase Plans") as successor plans to the 2000 Employee Stock Purchase Plan. A total of 500,000 shares have been reserved for issuance under the Purchase Plans. The number of shares of common stock available for issuance under the Purchase Plans will automatically increase on the first trading day of each calendar year beginning January 1, 2005 by an amount equal to the lesser of 2% of the shares of common stock outstanding on January 1 of each year or 500,000 shares. The Purchase Plans permit purchases of common stock via payroll deductions; however, the International Employee Stock Purchase Plan may allow participants to accumulate amounts for the purchase of shares through other means in addition to payroll deductions to the extent deemed necessary or desirable to comply with laws and regulations of the applicable country of residence. The maximum contribution is 15% of the employee's annual cash compensation. Purchases of the common stock will occur on February 15 and August 15 of each year, commencing February 15, 2005. The price of each share purchased will be 85% of the lower of:

- The fair market value per share of common stock on the date immediately before the first day of the applicable offering period (which lasts 24 months); or
- The fair market value per share of common stock on the purchase date.

The value of the shares purchased in any calendar year may not exceed $25,000 for the 2004 Employee Stock Purchase Plan. In addition, no purchase right shall be granted under the 2004 Employee Stock Purchase Plan to any person who immediately thereafter would own, directly or indirectly, stock or hold outstanding options or rights to purchase stock possessing 5% or more of the combined voting power or value of all classes of stock of the Company.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

11. Commitments and Contingencies

Leases and Lease Amendments

The Company recently announced it has entered into a long-term lease of a 95,000 square foot data center in the Washington, D.C. metro area. The center is adjacent to the Company's existing Washington D.C. metro area IBX, and this new addition expands the global Equinix footprint to over 1.3 million square feet. This new lease will add an additional $65.0 million in cumulative monthly lease payments through 2019, commencing November 2004. The Company will take possession of this property during the fourth quarter of 2004. The Company currently intends to begin placing customers in this center in late 2004 or early 2005. The Company is also currently evaluating the accounting treatment for this lease, which includes the leasing of all of the IBX plant and machinery equipment located within the building as of the date of this lease, and will have this evaluation completed in November 2004.

In May 2004, a wholly-owned subsidiary of the Company amended its lease for its Hong Kong IBX hub (the "Amendment to the Hong Kong IBX Lease"). Pursuant to the terms of the Amendment to the Hong Kong IBX Lease, the Company amended the term of the lease and the monthly rent payments due under the lease. In addition, the Company issued a guarantee to the landlord that the Company's wholly-owned Hong Kong subsidiary will comply with all terms of the amended lease for the remainder of the lease term. The remaining monthly lease payments covered under this guarantee total $7.2 million as of September 30, 2004. In exchange for entering into the Amendment to the Hong Kong IBX Lease, the Company issued warrants to the landlord to purchase 100,000 shares of the Company's common stock at an exercise price of $15.00 per share, which are immediately exercisable (the "Hong Kong Warrants"). The Hong Kong Warrants were valued at $2,477,000 using the Black-Scholes option-pricing model, which are being amortized to rent expense over the remaining term of the lease. The following assumptions were used in determining the fair value of the Hong Kong Warrants: fair market value per share of $28.13, dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 2.80% and a contractual life of seven years. The value of this warrant is included in other assets on the accompanying balance sheet as of September 30, 2004. For the three and nine months ended September 30, 2004, the Company recorded $64,000 and $129,000, respectively, of non-cash rent expense associated with the Hong Kong Warrants.

In June 2004, a wholly-owned subsidiary of the Company amended its lease for its Tokyo IBX hub (the "Amendment to the Tokyo IBX Lease"). Pursuant to the terms of the Amendment to the Tokyo IBX Lease, which is governed by Japanese law, the Company amended the monthly rent payments due under the lease for the remainder of the lease term commencing April 2004, resulting in a monthly reduction of 3.5 million Japanese yen (approximately $32,000 as translated using effective exchange rates at September 30, 2004).

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Legal Actions

During the quarter ended September 30, 2001, putative shareholder class action lawsuits were filed against the Company, certain of its officers and directors (the "Individual Defendants"), and several investment banks that were underwriters of the Company's IPO. 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 purported class action alleges violations of Sections 11 and 15 of the Securities Act of 1933 (the "1933 Act") and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act") against the Company and Individual Defendants. The plaintiffs have since dismissed the Individual Defendants without prejudice. The suits allege that the underwriter defendants agreed to allocate stock in the Company's IPO 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 IPO was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. On February 19, 2003, the Court dismissed the Section 10(b) claim against the Company, but denied the motion to dismiss the Section 11 claim. In July 2003, a Special Litigation Committee of the Equinix Board of Directors approved a settlement agreement and related agreements which set forth the terms of a settlement between the Company, the Individual Defendants, the plaintiff class and the vast majority of the other approximately 300 issuer defendants and the individual defendants currently or formerly associated with those companies. 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 through June 1, 2003, Equinix expects that all expenses of settlement, if any, will be paid by the Company's insurance carriers. The settlement agreement has been submitted to the court for approval. The underwriter defendants have filed objections to the settlement agreement. Approval by the Court cannot be assured. On October 13, 2004, the Court certified a Section 11 class in four of the six cases that were the subject of class certification motions and determined that the class period for Section 11 claims is the period between the IPO and the date that unregistered shares entered the market. The Court also ruled that a proper class representative of a Section 11 class must have (1) purchased shares during the appropriate class period; and (2) either sold the shares at a price below the offering price or held the shares until the time of suit. In two of the six cases, the class representatives did not meet the above criteria and therefore, the Section 11 cases were not certified. The Court noted that the decision is intended to provide strong guidance to all parties regarding class certification in the remaining cases. Plaintiffs have not yet moved to certify a class in the Equinix case. Until the settlement is finalized and approved by the Court, or in the event such settlement is not approved, 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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Estimated and Contingent Liabilities

The Company estimates exposure on certain liabilities, such as property taxes, based on the best information available at the time of determination. With respect to real and personal property taxes, the Company records what it can reasonably estimate based on prior payment history, current landlord estimates or estimates based on current or changing fixed asset values in each specific municipality, as applicable. However, there are circumstances beyond the Company's control whereby the underlying value of the property or basis for which the tax is calculated on the property may change, such as a landlord selling the underlying property of one of the Company's IBX hub leases or a municipality changing the assessment value in a jurisdiction and, as a result, the Company's property tax obligations may vary from period to period. Based upon the most current facts and circumstances, the Company makes the necessary property tax accruals for each of its reporting periods. However, revisions in the Company's estimates of the potential or actual liability could materially impact the financial position, results of operations or cash flows of the Company.

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

12. Comprehensive Loss

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

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net loss	$ (6,615)	$ (19,718)	$ (45,962)	$ (66,474)
Unrealized gain (loss) on available for sale securities	36	8	(86)	8
Foreign currency translation gain	301	486	71	58
Comprehensive loss	$ (6,278)	$ (19,244)	$ (45,977)	$ (66,408)

There were no significant tax effects on comprehensive loss for the three and nine months ended September 30, 2004 and 2003.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

13. Segment Information

The Company and its subsidiaries are principally engaged in the design, build-out and operation of network 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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Total revenues:				
United States	$ 36,779	$ 25,764	$ 102,893	$ 71,525
Asia-Pacific	5,660	5,155	15,789	13,263
	$ 42,439	$ 30,919	$ 118,682	$ 84,788
Cost of revenues:				
United States	$ 29,831	$ 28,092	$ 88,630	$ 79,590
Asia-Pacific	4,479	5,222	13,615	15,977
	$ 34,310	$ 33,314	$ 102,245	$ 95,567
Income (loss) from operations:				
United States	$ (3,028)	$ (10,761)	$ (15,230)	$ (39,706)
Asia-Pacific	(1,570)	(3,525)	(6,375)	(11,633)
	$ (4,598)	$ (14,286)	$ (21,605)	$ (51,339)

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

	September 30, 2004	December 31, 2003
United States	$ 319,904	$ 343,419
Asia-Pacific	33,971	34,825
	$ 353,875	$ 378,244

The Company's goodwill totaling $21,311,000 and $21,228,000 as of September 30, 2004 and December 31, 2003, respectively, is part of the Company's Singapore reporting unit, which is reported within the Asia-Pacific segment.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Revenue information on a services basis is as follows (in thousands) (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Colocation	$ 29,161	$ 19,476	$ 81,172	$ 55,330
Interconnection	8,193	5,541	22,513	14,150
Managed infrastructure	2,703	3,342	8,126	8,981
Recurring revenues	40,057	28,359	111,811	78,461
Non-recurring revenues	2,382	2,560	6,871	6,327
	$ 42,439	$ 30,919	$ 118,682	$ 84,788

Revenue from one customer accounted for 13% of the Company's revenues for both the three and nine months ended September 30, 2004. Revenue from this same customer accounted for 15% and 16%, respectively, of the Company's revenues for the three and nine months ended September 30, 2003. No other single customer accounted for more than 10% of the Company's revenues for the three and nine months ended September 30, 2004 and 2003. Accounts receivables from the customer mentioned above accounted for 12% and 11%, respectively, of the Company's gross accounts receivables as of September 30, 2004 and December 31, 2003. No other single customer accounted for more than 10% of the Company's gross accounts receivables as of September 30, 2004 and December 31, 2003.

14. Recent Accounting Pronouncements

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. In December 2003, the FASB released a revised version of FIN 46 clarifying certain aspects of FIN 46 and providing certain entities with exemptions from the requirements of FIN 46. 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 ending after March 15, 2004. The adoption of FIN 46 did not have 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. In November 2003, the FASB issued FASB Staff Position No. FASB 150-3 which deferred the measurement provisions of SFAS No. 150 indefinitely for certain mandatorily redeemable non-controlling interests that were issued before November 5, 2003. The FASB plans to reconsider implementation issues and, perhaps, classification or measurement guidance for those non-controlling interests during the deferral period. In 2003, the Company applied certain disclosure requirements of SFAS No. 150. 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. While the effective date of certain elements of SFAS No. 150 have been deferred, the adoption of SFAS No. 150 when finalized is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In March 2004, the FASB approved EITF Issue 03-6 "Participating Securities and the Two-Class Method under FAS 128". EITF Issue 03-6 supersedes the guidance in Topic No. D-95, "Effect of Participating Convertible Securities on the Computation of Basic Earnings per Share", and requires the use of the two-class method of participating securities. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. In addition, EITF Issue 03-6 addresses other forms of participating securities, including options, warrants, forwards and other contracts to issue an entity's common stock, with the exception of stock-based compensation (unvested options and restricted stock) subject to the provisions of APB Opinion No. 25 and FASB No. 123. EITF Issue 03-6 is effective for reporting periods beginning after March 31, 2004 and should be applied by restating previously reported earnings per share. The Company adopted the provisions of EITF Issue 03-6 during the second quarter of 2004. The adoption of EITF Issue 03-6 did not have a material effect on the Company's basic and diluted net loss per share data at this time.

In June 2004, the FASB issued EITF Issue 03-1 "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". EITF Issue 03-1 establishes a common approach to evaluating other-than-temporary impairment to investments in an effort to reduce the ambiguity in impairment methodology found in APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock" and FASB No. 115, "Accounting for Certain Investments in Debt and Equity Securities", which has resulted in inconsistent application. In September 2004, the FASB issued FASB Staff Position No. EITF Issue 03-1-1, which deferred the effective date for the measurement and recognition guidance clarified in EITF Issue 03-1; however, disclosure requirements have not been deferred. Disclosure requirements are effective for the Company's next annual financial statements. While the effective date for certain elements of EITF Issue 03-1 have been deferred, the adoption of EITF Issue 03-1 when finalized is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Item 2.

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

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 provides network neutral colocation, interconnection and managed services to enterprises, content companies and systems integrators and the world's largest networks. Through our 14 IBX hubs in the U.S. and Asia-Pacific, customers can directly interconnect with each other for critical traffic exchange requirements. As of September 30, 2004, we had IBX hubs totaling an aggregate of more than 1.3 million gross square feet in the Chicago, Dallas, Honolulu, Los Angeles, New York, Silicon Valley and Washington, D.C. areas in the United States and Hong Kong, Singapore, Sydney and Tokyo in the Asia-Pacific region.

In our IBX hubs, customers can directly interconnect with each other for critical traffic exchange requirements. Direct interconnection to our aggregation of networks, which serve more than 90% of the world's Internet routes, allows our customers to increase performance while significantly reducing costs. Based on our network neutral model and the quality of our IBX hubs, we believe we have established a critical mass of customers, comprised of networks, content providers and other enterprise companies. As more customers locate in our IBX hubs, it benefits their suppliers and business partners to do so as well to gain the full economic and performance benefits of direct interconnection. These partners, in turn, pull in their business partners, creating a "network effect" of customer adoption. Our interconnection services enable scalable, reliable and cost-effective interconnection and traffic exchange thus lowering overall cost and increasing flexibility.

This critical mass of customers and the resulting network effect, combined with our improved financial position gained through the completion of a series of financing transactions has resulted in an acceleration of new customer growth and related revenue bookings. Both our existing and new customers continue to gain confidence in our financial stability, which helps make their decision to move their core infrastructure into our IBX hubs easier. While we had generated negative operating cashflow in each annual period since inception, commencing the quarter ended September 30, 2003 we started to generate positive operating cash flow. During this quarter, our revenues grew to a level sufficient to meet our operating cash requirements related to our predominantly fixed cost structure. We considered this quarter to be the inflection point in our business model whereby our revenues were sufficient on an ongoing basis to meet all our operating costs and working capital requirements. Given a large component of our cost of revenues are fixed in nature, we anticipate any growth in revenues from our existing IBX hubs will have a significant incremental flow-through to gross profit. As a result of reaching this point in our operating history, we expect to generate cash from our operations during 2004 and expect these operating cash flows to be sufficient to meet our cash requirements to fund our capital expenditures, debt service and corporate overhead requirements.

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunication products and services with their colocation offerings. During 2003, a number of these telecommunication carriers reduced their colocation footprint as they exited under-performing markets. In addition, one major telecommunications company, Sprint, announced their plans to exit the colocation and hosting market altogether to focus on their core service offerings, while another telecommunications company, Cable & Wireless Plc, sold their U.S. assets to another telecommunications company, Savvis Communications Corp, in a bankruptcy auction. Each of these colocation providers owns and operates a network. We do not operate a network, yet have greater than 200 networks operating out of our IBX hubs. As a result, we are able to offer our customers a substantial choice of networks given our network neutrality allowing our customers to choose from numerous network service providers thereby eliminating a single point of failure. We believe this is a distinct advantage we have over our telecommunications company competitors, especially when the telecommunications industry is experiencing many business challenges and changes as evidenced by the numerous bankruptcies and consolidations within this industry during the past several years. Furthermore, for those customers who do require a fully managed solution that these telecommunications companies typically provide, certain of our other customers, such as IBM and EDS, can provide such a solution within our network rich IBX hubs.

Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service streams, such as our recent acquisition of the Sprint property in Santa Clara and our recent expansion in the Washington, D.C. metro area (refer to “Recent Developments” below). However, we will continue to be very selective with any similar opportunity. As was the case with these two recent expansions in the Silicon Valley and Washington, D.C. area markets, the criteria will be quality of the design, access to networks, capacity availability in current market location, amount of incremental investment required by us in the targeted property, lead-time to breakeven and in-place customers. Like our two recent expansions, the right combination of these factors may be quite attractive for us. Dependent on the particular deal, these acquisitions may require additional capital expenditures in order to bring these centers up to Equinix standards.

Recent Developments

During February 2004, we sold $86.3 million in aggregate principal of 2.5% convertible subordinated debentures due 2024 to qualified institutional buyers. We refer to this transaction as the “convertible debenture offering”. We used the net proceeds from the convertible debenture offering to repay all amounts outstanding under our credit facility and two of our other debt facilities. In addition, we used the proceeds received to redeem our 13% senior notes, which had a total of $30.5 million of principal outstanding. The effective date of the redemption was March 12, 2004. The redemption price for the senior notes was equal to 106.5% of their principal amount plus accrued and unpaid interest to the redemption date. Lastly, all remaining proceeds from the convertible debenture offering will be used for general corporate purposes.

On March 26, 2004, holders of our 10% $10.0 million convertible secured notes issued in connection with the Crosslink financing, converted the $10.0 million of principal into 2.5 million shares of our common stock. We refer to this transaction as the “Crosslink conversion”.

We recorded a significant loss on debt extinguishment and conversion totaling $16.2 million during the quarter ended March 31, 2004, primarily related to the non-cash write-off of debt issuance costs and discounts in connection with the various debt repayments, redemptions and conversions of the underlying debt facilities extinguished or converted, as well as the cash premium that we paid on our 13% senior notes.

In April 2004, we entered into a long-term lease of a 95,000 square foot data center in the Washington, D.C. metro area. The center is adjacent to the Company’s existing Washington D.C. metro area IBX, and this new addition expands the global Equinix footprint to over 1.3 million square feet. This new lease will add an additional $65.0 million in cumulative monthly lease payments through 2019, commencing November 2004. We will take possession of this property during the fourth quarter of 2004. We currently intend to begin placing customers in this center either in late 2004 or early 2005. We are also currently evaluating the accounting treatment for this lease, which includes the leasing of all of the IBX plant and machinery equipment located within the building as of the date of this lease, and will have this evaluation completed in November 2004.

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, estimated and contingent liabilities, accounting for property and equipment and impairment of long-lived assets, which are discussed in more detail under the caption "Critical Accounting Policies and Estimates" in the Company's 2003 Annual Report on Form 10-K.

Results of Operations

Three Months Ended September 30, 2004 and 2003

Revenues. Our revenues for the three months ended September 30, 2004 and 2003 were split between the following revenue classifications (dollars in thousands):

	Three months ended September 30,			
	2004	%	2003	%
Recurring revenues	$40,057	94%	$28,359	92%
Non-recurring revenues:				
Installation and professional services	2,248	5%	2,026	6%
Other	134	1%	534	2%
	2,382	6%	2,560	8%
Total revenues	$42,439	100%	$30,919	100%

Our revenues for the three months ended September 30, 2004 and 2003 were geographically comprised of the following (dollars in thousands):

	Three months ended September 30,			
	2004	%	2003	%
U.S. revenues	$36,779	87%	$25,764	83%
Asia-Pacific revenues	5,660	13%	5,155	17%
Total revenues	$42,439	100%	$30,919	100%

We recognized revenues of $42.4 million for the three months ended September 30, 2004 as compared to revenues of $30.9 million for the three months ended September 30, 2003, a 37% increase. We segment our business geographically between the U.S. and Asia-Pacific as further discussed below.

Our business is based on a recurring revenue model comprised of colocation, interconnection and managed infrastructure services. We consider these services recurring as once a customer has been installed in one of our IBX hubs they are billed on a fixed and recurring basis each month for the duration of their contract, which is generally one to three years in length. Our recurring revenues are a significant component of our total revenues comprising 94% of our total revenues for the three months ended September 30, 2004 as compared to 92% in the prior period. Historically, greater than half of our customers order new services each quarter and approximately half of our new orders are from our already installed customer base each quarter.

Our non-recurring revenues are primarily comprised of installation services related to a customer's initial deployment and professional services that we perform. These services are considered to be non-recurring as they are billed typically once and only upon completion of the installation or professional services work performed. The non-recurring revenues are typically billed on the first invoice distributed to the customer. Installation and professional services revenues increased 18% period over period, primarily due to strong existing and new customer growth during the year. As a percent of total revenues, we expect non-recurring revenues to represent approximately 5% of total revenues in each period. Other non-recurring revenues are comprised primarily of customer settlements, which represent fees paid to us by customers who wish to terminate their contracts with us prior to their expiration.

In addition to reviewing recurring versus non-recurring revenues, we look at two other primary metrics when we analyze our revenues: 1) customer count and 2) weighted-average percentage utilization. Our customer count increased to 896 as of September 30, 2004 versus 689 as of September 30, 2003, an increase of 30%. Our weighted-average utilization rate represents the percentage of our cabinet space billing versus total cabinet space available. Our weighted-average utilization rate grew to 43% as of September 30, 2004 from 32% as of September 30, 2003. Although we have substantial capacity for growth, our utilization rates vary from market to market among our 14 worldwide IBX hubs. We continue to monitor the available capacity in each of our selected markets. To the extent we have limited capacity available in a given market, it may limit our ability for growth in that market. Therefore, consistent with our lease of Sprint's Santa Clara property in December 2003 and our expansion into the Washington, D.C. metro area market in April 2004, we continue to review available space in our other operating markets.

U.S. Revenues. We recognized U.S. revenues of $36.8 million for the three months ended September 30, 2004 as compared to $25.8 million for the three months ended September 30, 2003. U.S. revenues consisted of recurring revenues of $34.8 million and $24.3 million, respectively, for the three months ended September 30, 2004 and 2003, a 43% increase. U.S. recurring revenues consist primarily of colocation and interconnection services plus a nominal amount of managed infrastructure services. U.S. recurring revenues for the three months ended September 30, 2004 included revenue generated from the recently acquired Santa Clara IBX hub. Excluding revenue from this acquired U.S. IBX hub, the period over period growth in recurring revenues was primarily the result of an increase in orders from both our existing customers and new customer growth acquired during the period as reflected in the growth in our customer count and weighted-average utilization rate as discussed above. 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 $2.0 million and $1.5 million, respectively, for the three months ended September 30, 2004 and 2003. Non-recurring revenues are primarily related to the recognized portion of deferred installation, professional services and settlement fees associated with certain contract terminations. Included in U.S. non-recurring revenues are settlement fees of $134,000 for the three months ended September 30, 2004. There were no settlement fees recognized for the three months ended September 30, 2003. Excluding any settlement fees that we may recognize in the future, we expect our U.S. non-recurring revenues to increase moderately in the foreseeable future as we complete certain custom projects for the U.S. government.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of $5.7 million for the three months ended September 30, 2004 as compared to $5.2 million for the three months ended September 30, 2003. Asia-Pacific revenues consisted of recurring revenues of $5.3 million and $4.1 million, respectively, for the three months ended September 30, 2004 and 2003, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of $387,000 and $1.1 million, respectively, for the three months ended September 30, 2004 and 2003. Asia-Pacific non-recurring revenues included $534,000 of contract settlement revenue for the three months ended September 30, 2003. Asia-Pacific revenues are generated from Singapore, Tokyo, Hong Kong and Sydney with Singapore representing approximately 52% and 74%, respectively, of the regional revenues for the three months ended September 30, 2004 and 2003. Our Asia-Pacific colocation revenues are similar to the revenues that we generate from our U.S. IBX hubs; however, our Singapore IBX hub has additional managed infrastructure service revenue, such as mail service and managed platform solutions, which we do not currently offer in any other IBX hub location. The growth in our Asia-Pacific revenues is primarily the result of an increase in the customer base in this region during the past year, particularly in Tokyo and Sydney; however, this revenue growth is partially offset by a decrease in low-margin bandwidth revenue in Singapore that is now largely behind us as of September 30, 2004. We expect our Asia-Pacific revenues to grow over the foreseeable future.

Cost of Revenues. Cost of revenues were $34.3 million for the three months ended September 30, 2004 as compared to $33.3 million for the three months ended September 30, 2003, a 3% increase. The largest cost components of our cost of revenues are depreciation, rental payments related to our leased IBX hubs, utility costs including electricity and bandwidth, IBX employees' salaries and benefits, supplies and equipment and security services. A substantial majority of our cost of revenues are fixed in nature and do not vary significantly from period to period. However, there are certain costs, which are considered variable in nature, including utilities and supplies, that are directly related to growth of services in our existing and new customer base. Given a large component of our cost of revenues are fixed in nature, we anticipate any growth in revenues will have a significant incremental flow-through to gross profit.

U.S. Cost of Revenues. U.S. cost of revenues were $29.8 million for the three months ended September 30, 2004 as compared to $28.1 million for the three months ended September 30, 2003. U.S. cost of revenues included $12.6 million of depreciation expense, stock-based compensation expense and accretion expense associated with our asset retirement obligation relating to our various leaseholds and amortization expense associated with an intangible asset related to our Santa Clara IBX hub for the three months ended September 30, 2004. U.S. cost of revenues included $12.5 million of depreciation expense, stock-based compensation expense and accretion expense associated with our asset retirement obligation relating to our various leaseholds for the three months ended September 30, 2003. Excluding depreciation, stock-based compensation, accretion expense and amortization expense, U.S. cost of revenues increased period over period to $17.2 million for the three months ended September 30, 2004 from $15.6 million for the three months ended September 30, 2003, a 10% increase. This increase is primarily the result of the operating costs associated with the Santa Clara IBX hub acquired on December 1, 2003, as well as increasing utility costs in line with increasing customer installations and revenues attributed to this customer growth and higher compensation costs, including general salary increases for our IBX staff. 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, however as a percent of revenues, we anticipate our cost of revenues will continue to decline.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues were $4.5 million for the three months ended September 30, 2004 as compared to $5.2 million for the three months ended September 30, 2003. Asia-Pacific cost of revenues included $1.0 million of depreciation expense and non-cash rent expense associated with the value attributed to warrants issued to our landlord in connection with a lease amendment for our Hong Kong IBX hub for the three months ended September 30, 2004. Asia-Pacific cost of revenues included $1.1 million of depreciation expense for the three months ended September 30, 2003. Excluding depreciation and non-cash rent expense, Asia-Pacific cost of revenues decreased period over period to $3.5 million for the three months ended September 30, 2004 from $4.1 million for the three months ended September 30, 2003, a 15% decrease. This decrease is primarily the result of (i) a decrease in bandwidth costs in Singapore associated with a corresponding decrease in low-margin bandwidth revenue in this location, as well as a benefit of approximately $126,000 related to some utility settlements, and (ii) a decrease in operating costs in Singapore as a result of the asset sale of one of our two IBX hubs in Singapore that occurred during the fourth quarter of 2003. Our Asia-Pacific 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 cost of revenues will experience moderate growth in the foreseeable future consistent with our anticipated growth in revenues over the course of the year.

Sales and Marketing. Sales and marketing expenses decreased to $4.4 million for the three months ended September 30, 2004 from $4.8 million for the three months ended September 30, 2003.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses increased to $3.3 million for the three months ended September 30, 2004 from $2.8 million for the three months ended September 30, 2003. Included in U.S. sales and marketing expenses were $20,000 of stock-based compensation expense and amortization expense associated with an intangible asset in connection with our Santa Clara IBX hub for the three months ended September 30, 2004. Included in U.S. sales and marketing expenses was $61,000 of stock-based compensation expense for the three months ended September 30, 2003.

Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses increased to $3.3 million for the three months ended September 30, 2004 as compared to $2.7 million for the three months ended September 30, 2003, a 21% increase. Sales and marketing expenses consist primarily of compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. This increase is primarily due to increased sales compensation as a result of growth in our revenue bookings and due to an increase in the number of sales headcount. Going forward, we expect to see U.S. sales and marketing spending increase nominally in absolute dollars, but decrease as a percent of revenues.

Asia-Pacific Sales and Marketing Expenses. Asia-Pacific sales and marketing expenses decreased to $1.1 million for the three months ended September 30, 2004 as compared to $2.0 million for the three months ended Septemer 30, 2003. Included in Asia-Pacific sales and marketing expenses were $455,000 and $518,000, respectively, of amortization expense associated with several intangible assets associated with our Singapore operations for the three months ended September 30, 2004 and 2003. Excluding amortization expense, Asia-Pacific sales and marketing expenses decreased to $668,000 during the three months ended September 30, 2004 down from $1.5 million in the prior period, primarily as a result of some headcount reductions in the Singapore region over the course of the last year and an overall reduction in discretionary spending in this area. 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, 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; however, amortization expense in connection with the intangible assets in Singapore will be completed at the end of 2004.

General and Administrative. General and administrative expenses increased to $8.3 million for the three months ended September 30, 2004 from $7.1 million for the three months ended September 30, 2003.

U.S. General and Administrative Expenses. U.S. general and administrative expenses increased to $6.7 million for the three months ended September 30, 2004 as compared to $5.7 million for the three months ended September 30, 2003. Included in U.S. general and administrative expenses were $456,000 and $1.4 million, respectively, of depreciation expense and stock-based compensation expense for the three months ended September 30, 2004 and 2003. Depreciation and stock-based compensation expense decreased period over period as certain headquarter-based assets became fully depreciated over the course of the past year, as well as our election under generally accepted accounting principles to accelerate the amortization of stock-based compensation, which results in decreasing amounts of amortization in subsequent periods. Excluding depreciation and stock-based compensation expense, U.S. general and administrative expenses increased to $6.2 million for the three months ended September 30, 2004, as compared to $4.3 million for the prior period, a 45% increase. This increase is primarily due to a charge of $512,000 related to our decision to liquidate a number of legacy subsidiaries in Europe, which we do not expect to recur. Additionally, we continue to incur additional costs related to our Sarbanes-Oxley compliance initiative, as this initiative continues to impose additional costs on Equinix as a public company, both in the form of outside professional service fees for auditors and other advisors, as well as increased internal costs as teams throughout the organization are being required to devote more time on this initiative. We also have higher overall compensation costs as compared to the prior period as a result of some general headcount growth and salary increases. General and administrative expenses, excluding depreciation and stock-based compensation, 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. Going forward, we expect to see U.S. general and administrative spending increase nominally in absolute dollars, but decrease as a percent of revenues.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses increased to $1.6 million for the three months ended September 30, 2004 as compared to $1.4 million for the three months ended September 30, 2003. Included in Asia-Pacific general and administrative expenses were $82,000 and $113,000, respectively, of depreciation expense for the three months ended September 30, 2004 and 2003. Excluding depreciation, Asia-Pacific general and administrative expenses increased to $1.5 million for the three months ended September 30, 2004, as compared to $1.3 million for the prior period, an 18% increase. This increase is primarily related to an increase in professional service fees related to our Sarbanes-Oxley compliance initiative in Singapore. Our Asia-Pacific general and administrative expenses 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 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.

Interest Income. Interest income increased to $335,000 from $46,000 for the three months ended September 30, 2004 and 2003, respectively. Interest income increased due to higher average cash, cash equivalent and short-term and long-term investment balances held in interest-bearing accounts during these periods.

Interest Expense. Interest expense decreased to $2.4 million from $5.5 million for the three months ended September 30, 2004 and 2003, respectively. The decrease in interest expense was primarily attributable to the reduction in the principal balance outstanding on our credit facility during 2003 and 2004. In addition, during the quarter ended March 31, 2004, with the proceeds from the convertible debenture offering, we fully paid off the remaining credit facility and two other debt facilities, as well as fully redeemed the remaining 13% senior notes that were outstanding. Furthermore, in March 2004, the $10.0 million 10% convertible secured notes issued in connection with the Crosslink financing were converted to 2.5 million shares of our common stock. As a result of the repayments, redemption and conversion of our older debt facilities, which have been replaced with our $86.3 million 2.5% convertible subordinated debentures, our interest expense commencing with the second quarter of 2004 has been significantly reduced.

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, 2004 and 2003

Revenues. Our revenues for the nine months ended September 30, 2004 and 2003 were split between the following revenue classifications (dollars in thousands):

	Nine months ended September 30,			
	2004	%	2003	%
Recurring revenues	$111,811	94%	$78,461	93%
Non-recurring revenues:				
Installation and professional services	5,982	5%	4,583	5%
Other	889	1%	1,744	2%
	6,871	6%	6,327	7%
Total revenues	$118,682	100%	$84,788	100%

Our revenues for the nine months ended September 30, 2004 and 2003 were geographically comprised of the following (dollars in thousands):

	Nine months ended September 30,			
	2004	%	2003	%
U.S. revenues	$102,893	87%	$71,525	84%
Asia-Pacific revenues	15,789	13%	13,263	16%
Total revenues	$118,682	100%	$84,788	100%

We recognized revenues of $118.7 million for the nine months ended September 30, 2004 as compared to revenues of $84.8 million for the nine months ended September 30, 2003, a 40% increase. We segment our business geographically between the U.S. and Asia-Pacific as further discussed below.

Our business is based on a recurring revenue model comprised of colocation, interconnection and managed infrastructure services. We consider these services recurring as once a customer has been installed in one of our IBX hubs they are billed on a fixed and recurring basis each month for the duration of their contract, which is generally one to three years in length. Our recurring revenues are a significant component of our total revenues comprising 94% of our total revenues for the nine months ended September 30, 2004 as compared to 93% in the prior period. Historically, greater than half of our customers order new services each quarter and approximately half of our new orders are from our already installed customer base each quarter.

Our non-recurring revenues are primarily comprised of installation services related to a customer's initial deployment and professional services that we perform. These services are considered to be non-recurring as they are billed typically once and only upon completion of the installation or professional services work performed. The non-recurring revenues are typically billed on the first invoice distributed to the customer. Installation and professional services revenues increased 33% period over period, primarily due to strong existing and new customer growth during the year. As a percent of total revenues, we expect non-recurring revenues to represent approximately 5% of total revenues in each period. Other non-recurring revenues are comprised primarily of customer settlements, which represent fees paid to us by customers who wish to terminate their contracts with us prior to their expiration.

U.S. Revenues. We recognized U.S. revenues of $102.9 million for the nine months ended September 30, 2004 as compared to $71.5 million for the nine months ended September 30, 2003. U.S. revenues consisted of recurring revenues of $97.3 million and $66.8 million, respectively, for the nine months ended September 30, 2004 and 2003, a 46% increase. U.S. recurring revenues consist primarily of colocation and interconnection services plus a nominal amount of managed infrastructure services. U.S. recurring revenues for the nine months ended September 30, 2004 included revenue generated from the recently acquired Santa Clara IBX hub. Excluding revenue from this acquired U.S. IBX hub, the period over period growth in recurring revenues was primarily the result of an increase in orders from both our existing customers and new customer growth acquired during the period as reflected in the growth in our customer count and weighted-average utilization rate as discussed above. 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 $5.6 million and $4.7 million, respectively, for the nine months ended September 30, 2004 and 2003. Non-recurring revenues are primarily related to the recognized portion of deferred installation, professional services and settlement fees associated with certain contract terminations. Included in U.S. non-recurring revenues are settlement fees of $609,000 and $1.2 million, respectively, for the nine months ended September 30, 2004 and 2003. The $609,000 in settlement fees for the nine months ended September 30, 2004 primarily represented a bankruptcy court-mandated payment from Excite@Home. The $1.2 million in settlement fees for the nine months ended September 30, 2003 primarily represented bankruptcy court-mandated payments from both Worldcom and Excite@Home. Excluding any settlement fees that we may recognize in the future, we expect our U.S. non-recurring revenues to increase moderately in the foreseeable future as we complete certain custom projects for the U.S. government.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of $15.8 million for the nine months ended September 30, 2004 as compared to $13.3 million for the nine months ended September 30, 2003. Asia-Pacific revenues consisted of recurring revenues of $14.5 million and $11.7 million, respectively, for the nine months ended September 30, 2004 and 2003, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of $1.3 million and $1.6 million, respectively, for the nine months ended September 30, 2004 and 2003. Asia-Pacific non-recurring revenues included $280,000 and $564,000, respectively, of contract settlement revenue for the nine months ended September 30, 2004 and 2003. Asia-Pacific revenues are generated from Singapore, Tokyo, Hong Kong and Sydney with Singapore representing approximately 53% and 75%, respectively, of the regional revenues for the nine months ended September 30, 2004 and 2003. Our Asia-Pacific colocation revenues are similar to the revenues that we generate from our U.S. IBX hubs; however, our Singapore IBX hub has additional managed infrastructure service revenue, such as mail service and managed platform solutions, which we do not currently offer in any other IBX hub location. The growth in our Asia-Pacific revenues is primarily the result of an increase in the customer base in this region during the past year, particularly in Tokyo and Sydney; however, this revenue growth is partially offset by a decrease in low-margin bandwidth revenue in Singapore that is now largely behind us as of September 30, 2004. We expect our Asia-Pacific revenues to grow over the foreseeable future.

Cost of Revenues. Cost of revenues were $102.2 million for the nine months ended September 30, 2004 as compared to $95.6 million for the nine months ended September 30, 2003, a 7% increase. The largest cost components of our cost of revenues are depreciation, rental payments related to our leased IBX hubs, utility costs including electricity and bandwidth, IBX employees' salaries and benefits, supplies and equipment and security services. A substantial majority of our cost of revenues are fixed in nature and do not vary significantly from period to period. However, there are certain costs, which are considered variable in nature, including utilities and supplies, that are directly related to growth of services in our existing and new customer base. Given a large component of our cost of revenues are fixed in nature, we anticipate any growth in revenues will have a significant incremental flow-through to gross profit.

U.S. Cost of Revenues. U.S. cost of revenues were $88.6 million for the nine months ended September 30, 2004 as compared to $79.6 million for the nine months ended September 30, 2003. U.S. cost of revenues included $37.9 million of depreciation expense, stock-based compensation expense, accretion expense associated with our asset retirement obligation relating to our various leaseholds and amortization expense associated with an intangible asset related to our Santa Clara IBX hub for the nine months ended September 30, 2004. U.S. cost of revenues included $37.8 million of depreciation expense, stock-based compensation expense and accretion expense associated with our asset retirement obligation relating to our various leaseholds for the nine months ended September 30, 2003. Excluding depreciation, stock-based compensation, accretion expense and amortization expense, U.S. cost of revenues increased period over period to $50.7 million for the nine months ended September 30, 2004 from $41.8 million for the nine months ended September 30, 2003, a 21% increase. This increase is primarily the result of the operating costs associated with the Santa Clara IBX hub acquired on December 1, 2003, as well as increasing utility costs in line with increasing customer installations and revenues attributed to this customer growth and higher compensation costs, including general salary increases for our IBX staff. 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, however as a percent of revenues, we anticipate our cost of revenues will continue to decline.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues were $13.6 million for the nine months ended September 30, 2004 as compared to $16.0 million for the nine months ended September 30, 2003. Asia-Pacific cost of revenues included $2.8 million of depreciation expense and non-cash rent expense associated with the value attributed to warrants issued to our landlord in connection with a lease amendment for our Hong Kong IBX hub for the nine months ended September 30, 2004. Asia-Pacific cost of revenues included $3.6 million of depreciation expense for the nine months ended September 30, 2003. Excluding depreciation and non-cash rent expense, Asia-Pacific cost of revenues decreased period over period to $10.8 million for the nine months ended September 30, 2004 from $12.4 million for the nine months ended September 30, 2003, a 13% decrease. This decrease is primarily the result of (i) a decrease in bandwidth costs in Singapore associated with a corresponding decrease in low-margin bandwidth revenue in this location, as well as a benefit of approximately $126,000 related to some utility settlements, and (ii) a decrease in operating costs in Singapore as a result of the asset sale of one of our two IBX hubs in Singapore that occurred during the fourth quarter of 2003. Our Asia-Pacific 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 cost of revenues will experience moderate growth in the foreseeable future consistent with our anticipated growth in revenues over the course of the year.

Sales and Marketing. Sales and marketing expenses decreased to $13.5 million for the nine months ended September 30, 2004 from $14.2 million for the nine months ended September 30, 2003.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses increased to $9.9 million for the nine months ended September 30, 2004 from $9.3 million for the nine months ended September 30, 2003. Included in U.S. sales and marketing expenses were $95,000 of stock-based compensation expense and amortization expense associated with an intangible asset in connection with our Santa Clara IBX hub for the nine months ended September 30, 2004. Included in U.S. sales and marketing expenses was $243,000 of stock-based compensation expense for the nine months ended September 30, 2003. Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses increased to $9.8 million for the nine months ended September 30, 2004 as compared to $9.1 million for the nine months ended September 30, 2003, an 8% increase. Sales and marketing expenses consist primarily of compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. This increase is primarily due to increased sales compensation as a result of growth in our revenue bookings and due to an increase in the number of sales headcount. Going forward, we expect to see U.S. sales and marketing spending increase nominally in absolute dollars, but decrease as a percent of revenues.

Asia-Pacific Sales and Marketing Expenses. Asia-Pacific sales and marketing expenses decreased to $3.6 million for the nine months ended September 30, 2004 as compared to $4.9 million for the nine months ended September 30, 2003. Included in Asia-Pacific sales and marketing expenses were $1.4 million and $1.6 million, respectively, of amortization expense associated with several intangible assets associated with our Singapore operations for the nine months ended September 30, 2004 and 2003. Excluding amortization expense, Asia-Pacific sales and marketing expenses decreased to $2.2 million during the nine months ended September 30, 2004 down from $3.3 million in the prior period, primarily as a result of some headcount reductions in the Singapore region over the course of the last year and an overall reduction in discretionary spending in this area. 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, 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; however, amortization expense in connection with the intangible assets in Singapore will be completed at the end of 2004.

General and Administrative. General and administrative expenses decreased to $24.5 million for the nine months ended September 30, 2004 from $26.4 million for the nine months ended September 30, 2003.

U.S. General and Administrative Expenses. U.S. general and administrative expenses decreased to $19.6 million for the nine months ended September 30, 2004 as compared to $21.6 million for the nine months ended September 30, 2003. Included in U.S. general and administrative expenses were $2.4 million and $6.4 million, respectively, of depreciation expense and stock-based compensation expense for the nine months ended September 30, 2004 and 2003. Depreciation and stock-based compensation expense decreased period over period as certain headquarter-based assets became fully depreciated over the course of the past year, as well as our election under generally accepted accounting principles to accelerate the amortization of stock-based compensation, which results in decreasing amounts of amortization in subsequent periods. Excluding depreciation and stock-based compensation expense, U.S. general and administrative expenses increased to $17.2 million for the nine months ended September 30, 2004, as compared to $15.2 million for the prior period, a 13% increase. This increase is primarily due to a charge of $512,000 related to our decision to liquidate a number of legacy subsidiaries in Europe, which we do not expect to recur. In addition, the Company has incurred higher professional service fees and other legal-related costs and expenses, including costs attributed to our Sarbanes-Oxley compliance initiatives. We continue to incur additional costs related to our Sarbanes-Oxley compliance initiative, as this initiative continues to impose additional costs on Equinix as a public company, both in the form of outside professional service fees for auditors and other advisors, as well as increased internal costs as teams throughout the organization are being required to devote more time on this initiative. We also have higher overall compensation costs as compared to the prior period as a result of some general headcount growth and salary increases. All of these increased costs, however, are offset by some cost savings associated with the shutdown of an office in Honolulu that was completed in June 2003, as well as our move to a new headquarter office from Mountain View to Foster City in March 2003. General and administrative expenses, excluding depreciation and stock-based compensation, 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. Going forward we expect to see U.S. general and administrative spending increase nominally in absolute dollars, but decrease as a percent of revenues.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses increased to $4.9 million for the nine months ended September 30, 2004 as compared to $4.7 million for the nine months ended September 30, 2003. Included in Asia-Pacific general and administrative expenses were $285,000 and $359,000, respectively, of depreciation expense for the nine months ended September 30, 2004 and 2003. Excluding depreciation, Asia-Pacific general and administrative expenses increased to $4.6 million for the nine months ended September 30, 2004, as compared to $4.4 million for the prior period, a 6% increase. This increase is primarily related to an increase in professional service fees related to our Sarbanes-Oxley compliance initiative in Singapore. Our Asia-Pacific general and administrative expenses 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 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.

Interest Income. Interest income increased to $819,000 from $182,000 for the nine months ended September 30, 2004 and 2003, respectively. Interest income increased due to higher average cash, cash equivalent and short-term and long-term investment balances held in interest-bearing accounts during these periods.

Interest Expense. Interest expense decreased to $8.8 million from $15.3 million for the nine months ended September 30, 2004 and 2003, respectively. The decrease in interest expense was primarily attributable to the reduction in the principal balance outstanding on our credit facility during 2003 and 2004. These interest expense savings were partially offset by additional non-cash interest expense associated with the $10.0 million 10% convertible secured notes issued on June 5, 2003 as a result of the Crosslink financing. However, during the quarter ended March 31, 2004, with the proceeds from the convertible debenture offering, we fully paid off the remaining credit facility and two other debt facilities, as well as fully redeemed the remaining 13% senior notes that were outstanding. In addition, in March 2004, the $10.0 million 10% convertible secured notes issued in connection with the Crosslink financing were converted to 2.5 million shares of our common stock. As a result of these various repayments, redemption and conversion of our older debt facilities, which have been replaced with our $86.3 million 2.5% convertible subordinated debentures, our interest expense commencing with the second quarter of 2004 has been significantly reduced.

Loss on Debt Extinguishment and Conversion. In February 2004, with the proceeds from the convertible debenture offering, we fully paid off the remaining credit facility and two other debt facilities, as well as fully redeemed the remaining 13% senior notes that were outstanding at a premium of 106.5% through March 2004. In addition, in March 2004, the 10% $10.0 million convertible secured notes issued in connection with the Crosslink financing were converted to 2.5 million shares of our common stock. As a result of these various repayments, redemption and conversion of our older debt facilities, we recorded a loss on debt extinguishment and conversion of $16.2 million, comprised primarily of the write-off of the various debt issuance costs and discounts associated with these various debt facilities totaling $13.7 million, as well as the premium paid to the holders of our 13% senior notes required to redeem these early and other cash transaction costs totaling $2.5 million. There was no such debt extinguishment or conversion activity 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. However, for the nine months ended September 30, 2004, we recorded $200,000 of income tax expense representing alternative minimum tax. We have previously not incurred any significant income tax expense prior to 2004 since inception.

Liquidity and Capital Resources

Since inception, we have financed our operations and capital requirements primarily through the issuance of various debt and equity instruments, for aggregate gross proceeds of $1.1 billion. As of September 30, 2004, our total indebtedness was comprised solely of convertible debt totaling $122.2 million as outlined below.

During February 2004, we sold $86.3 million in aggregate principal of 2.5% convertible subordinated debentures due 2024 to qualified institutional buyers. We used the net proceeds from this offering to repay all amounts outstanding under our non-convertible debt as outlined below. All remaining proceeds will be used for general corporate purposes. We refer to this transaction as the "convertible debenture offering". During March 2004, holders of our 10% $10.0 million convertible secured notes issued in connection with the Crosslink financing, converted the $10.0 million of principal into 2.5 million shares of our common stock. We refer to this transaction as the "Crosslink conversion". We recorded a significant loss on debt extinguishment and conversion totaling $16.2 million during the quarter ended March 31, 2004, primarily related to the non-cash write-off of debt issuance costs and discounts in connection with the various debt repayments, redemptions and conversions of the underlying debt facilities extinguished or converted, as well as the cash premium that we paid on our 13% senior notes.

As of September 30, 2004, our principal source of liquidity was our $98.8 million of cash, cash equivalents and short-term and long-term investments. We believe that this cash, coupled with our anticipated cash flows generated from operations, will be sufficient to meet our capital expenditure, debt service and corporate overhead requirements to meet the Company's currently identified business objectives.

While we had generated negative operating cashflow in each annual period since inception, commencing the quarter ended September 30, 2003 we started to generate positive operating cash flow. During that quarter, our revenues grew to a level sufficient to meet our operating cash requirements related to our predominantly fixed cost structure. We considered that quarter to be the inflection point in our business model whereby our revenues were sufficient on an ongoing basis to meet all our operating costs and working capital requirements. As a result of reaching this point in our operating history, we expect to generate cash from our operations during 2004 and expect these operating cash flows to be sufficient to meet our cash requirements to fund our capital expenditures. Given our limited operating history, we may not achieve our desired levels of profitability. See "Other Factors Affecting Operating Results."

Uses of Cash

Net cash provided by our operating activities was $26.3 million for the nine months ended September 30, 2004. Net cash used in our operating activities was $20.3 million for the nine months ended September 30, 2003. As described above, we have now reached and are moving beyond the inflection point in our business model whereby our revenues are now sufficient to cover our operating expenses and we are now generating cash from our operations. In prior periods, we used cash primarily to fund our net loss, including cash interest payments on our senior notes and credit facility, although the majority of the operating cash flows used during the nine months ended September 30, 2003 related to the liquidation of accrued obligations at December 31, 2002 attributed to accrued merger and financing transactions and restructuring activities. In addition, we continue to experience strong collections of our accounts receivables, which is reflected in our days sales outstanding (DSO). Our DSO for the periods ended September 30, 2004 and 2003 was less than 30 days. In the future, we expect our DSO to remain at the 30 to 35 day level. As described above, we expect that we will continue to generate cash from our operating activities throughout 2004 and beyond.

Net cash used in investing activities was $59.9 million and $4.2 million for the nine months ended September 30, 2004 and 2003, respectively. Net cash used in investing activities during the nine months ended September 30, 2004 was primarily for the net purchase of short-term and long-term investments, as well as to fund capital expenditures to bring our recently acquired IBX hubs in Santa Clara and the Washington DC metro area to Equinix standards and to support our growing customer base. Net cash used in investing activities during the nine months ended September 30, 2003 was primarily the result of the purchase of short-term investments and some nominal amount of capital expenditures, partially offset by the release of restricted cash to fund a cash interest payment on our senior notes in January 2003. For 2004, we anticipate that our cash used in investing activities, excluding the purchases, sales and maturities of short-term and long-term investments, will primarily fund our capital expenditures.

Net cash generated by financing activities was $15.9 million and $5.0 million for the nine months ended September 30, 2004 and 2003, respectively. Net cash generated by financing activities for the nine months ended September 30, 2004, was primarily the result of the $86.3 million in gross proceeds from our convertible debenture offering, offset by $70.8 million in payments on our credit facility, senior notes and other debt facilities and capital lease obligations, as well as debt extinguishment costs associated with paying down these facilities. 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.

Debt Obligations – Non-Convertible Debt

As of September 30, 2004, we no longer had any indebtedness from non-convertible debt. Prior to this, our non-convertible debt was comprised of our senior notes, credit facility, and other debt facilities and capital lease obligations 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 December 31, 2003, a total of $30.5 million of senior note principal remained outstanding, which was presented, net of unamortized discount, on our balance sheet at $29.2 million. In March 2004, with the net proceeds from our convertible debenture offering, we exercised our right to redeem all of our senior notes. The redemption price for the senior notes was equal to 106.5% of their principal amount, plus accrued and unpaid interest, to the redemption date. As a result, we recognized a loss on debt extinguishment on this transaction of $3.8 million, comprised of the 6.5% premium that we paid to redeem the senior notes, the write-off of debt issuance costs and debt discount and other transaction fees.

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, which was fully drawn down during 2001. This facility was amended at various times during 2001, 2002 and 2003. As of December 31, 2003, a total of $34.3 million of principal remained outstanding under the credit facility. In February 2004, with the net proceeds from our convertible debenture offering, we repaid all amounts outstanding under our credit facility and terminated the credit facility. As a result, we recognized a loss on debt extinguishment on this transaction of $4.4 million, comprised primarily of the write-off of debt issuance costs as well as some other transaction fees.

Other Debt Facilities and Capital Lease Obligations. 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 bore 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. As of December 31, 2003, principal of $847,000 remained outstanding. In March 2004, with the net proceeds from our convertible debenture offering, we paid off this other debt facility in full. As a result, we recognized a loss on debt extinguishment on this transaction of $0.2 million, comprised of the write-off of debt issuance costs and discount as well as some other transaction fees.

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 bore interest at 13.0% and was repayable over 36 months. As of December 31, 2003, principal of $2.5 million remained outstanding. In February

2004, with the net proceeds from our convertible debenture offering, we paid off this other debt facility in full. As a result, we recognized a loss on debt extinguishment on this transaction of $0.2 million, comprised of the write-off of debt issuance costs and discount as well as some other transaction fees.

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 bore interest at an average rate of 6.4% per annum and were repayable over 30 months. As of December 31, 2003, principal of $201,000 remained outstanding. These capital leases were fully paid down by March 31, 2004.

Debt Obligations – Convertible Debt

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 due November 2007. 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”. During 2003 and through September 30, 2004, we have issued $5.9 million in PIK notes. The convertible secured note and PIK notes issued to STT Communications are convertible into our preferred and common stock at a price of $9.18 per underlying share, which represents 3.9 million shares as of September 30, 2004, and are convertible anytime at the option of STT Communications. Upon certain conditions, including if the closing price of our common stock exceeds $32.12 per share for thirty consecutive trading days, we will also have the option to convert the convertible secured notes beginning in 2005. Through December 31, 2005, we may convert 95% of the STT Communications’ convertible secured notes and after December 31, 2005, we may convert 100% of these convertible secured notes if such conditions are met.

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 was payable in kind in the form of additional convertible secured notes commencing on the second anniversary of the closing of this transaction. In March 2004, the holders of these notes converted them into 2.5 million shares of our common stock. As a result, we recognized a loss on debt conversion on this transaction of $7.6 million, comprised primarily of the write-off of debt discount.

As of September 30, 2004, a total of $35.9 million of convertible secured notes were outstanding, which is presented, net of unamortized discount, on our balance sheet at $33.1 million. In addition, as of September 30, 2004, we had debt issuance costs related to our convertible secured notes of $365,000 remaining to be amortized. All interest expense associated with our convertible secured notes, including the amortization of the unamortized discount of $2.8 million and our unamortized debt issuance costs, represent non-cash interest expense in our statements of operation and cash flow as no cash is expended for this interest.

Convertible Subordinated Debentures. During February 2004, we sold $86.3 million in aggregate principal of 2.5% convertible subordinated debentures due 2024 to qualified institutional buyers. We used the net proceeds from this offering to repay all amounts outstanding under our credit facility and two of our other debt facilities, as well as fully redeemed our remaining 13% senior notes. All remaining proceeds will be used for general corporate purposes The interest on the convertible subordinated debentures is payable semi-annually every February and August, which commenced August 2004. Unlike our convertible secured notes, the interest on our convertible subordinated debentures will be payable in cash. Our convertible subordinated debentures will be convertible into 2.2 million shares of our common stock.

Holders of the convertible subordinated debentures may require us to purchase all or a portion of their debentures on February 15, 2009, February 15, 2014 and February 15, 2019, in each case at a price equal to 100% of the principal amount of the debentures plus any accrued and unpaid interest. In addition, holders of the convertible subordinated debentures may convert their debentures into shares of our common stock upon certain defined circumstances, including during any calendar quarter after the quarter ending June 30, 2004 if the closing price of our common stock is greater than or equal to 120% of $39.50 per share of our common stock, or approximately $47.40 per share, for twenty consecutive trading days during the period of thirty consecutive trading days ending on the last day of the previous calendar quarter. We may redeem all or a portion of the debentures at any time after February 15, 2009 at a redemption price equal to 100% of the principal amount of the debentures plus any accrued and unpaid interest.

Debt Maturities and Lease Commitments

We lease our IBX hubs and certain equipment under non-cancelable lease agreements expiring through 2020. The following represents the minimum future lease payments for these commitments, as well as the combined aggregate maturities for all of our debt as of September 30, 2004 (in thousands):

	Convertible secured notes	Convertible subordinated debentures	Leases	Total
2004	$ —	$ —	$ 7,212	$ 7,212
2005	—	—	32,616	32,616
2006	—	—	34,944	34,944
2007	35,950	—	35,420	71,370
2008	—	—	34,948	34,948
2009 and thereafter	—	86,250	251,720	337,970
	$ 35,950	$ 86,250	$ 396,860	$ 519,060

With respect to the operating lease for one of our New York metropolitan area IBXs, our landlord has the right to increase our rentable space on December 31, 2004 when the lease for the current tenant's portion of the aggregate property lease expires. As a result, commencing fiscal 2005, our total rent expense associated with this IBX hub could double. This increase in our operating lease commitments is reflected in the table presented above. We are currently working with this landlord, as well as the current tenant of that space, and expect to minimize this additional cost to us; however, there can be no assurances that we will be successful in reducing this commitment.

We recently announced that we have entered into a long-term lease of a 95,000 square foot data center in the Washington, D.C. metro area. The center is adjacent to the Company's existing Washington D.C. metro area IBX, and this new addition expands the global Equinix footprint to over 1.3 million square feet. This new lease will add an additional $65.0 million in cumulative monthly lease payments through 2019, commencing November 2004. We will take possession of this property during the fourth quarter of 2004. We currently intend to begin placing customers in this center in either late 2004 or early 2005. We are also currently evaluating the accounting treatment for this lease, which includes the leasing of all of the IBX plant and machinery equipment located within the building as of the date of this lease, and will have this evaluation completed in November 2004. While we have not yet concluded that this lease is an operating lease, for purposes of reflecting our full contractual commitments in the table presented above, this lease is presented within the future lease costs presented above.

Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service streams, such as our recent acquisition of the Sprint property in Santa Clara and our recently announced expansion in the Washington, D.C. metro area market. However, we will continue to be very selective with any similar opportunity. As was the case with these two recent expansions in the Silicon Valley and Washington, D.C. area markets, the criteria will be quality of the design, access to networks, capacity availability in current market location, amount of incremental investment required by us in the targeted property, lead-time to breakeven and in-place customers. Like these two recent expansions, the right combination of these factors may be quite attractive for us. Dependent on the particular deal, these acquisitions may require additional capital expenditures in order to bring these centers up to Equinix standards.

Recent Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46, or 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. In December 2003, the FASB released a revised version of FIN 46 clarifying certain aspects of FIN 46 and providing certain entities with exemptions from the requirements of FIN 46. 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 ending after March 15, 2004. The adoption of Fin 46 did not have 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. In November 2003, the FASB issued FASB Staff Position No. FASB 150-3 which deferred the measurement provisions of SFAS No. 150 indefinitely for certain mandatorily redeemable non-controlling interests that were issued before November 5, 2003. The FASB plans to reconsider implementation issues and, perhaps, classification or measurement guidance for those non-controlling interests during the deferral period. In 2003, we applied certain disclosure requirements of SFAS No. 150. 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. While the effective date of certain elements of SFAS No. 150 have been deferred, the adoption of SFAS No. 150 when finalized is not expected to have a material impact on our financial position, results of operations or cash flows.

In March 2004, the FASB approved EITF Issue 03-6 "Participating Securities and the Two-Class Method under FAS 128". EITF Issue 03-6 supersedes the guidance in Topic No. D-95, "Effect of Participating Convertible Securities on the Computation of Basic Earnings per Share", and requires the use of the two-class method of participating securities. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. In addition, EITF Issue 03-6 addresses other forms of participating securities, including options, warrants, forwards and other contracts to issue an entity's common stock, with the exception of stock-based compensation (unvested options and restricted stock) subject to the provisions of APB Opinion No. 25 and FASB No. 123. EITF Issue 03-6 is effective for reporting periods beginning after March 31, 2004 and should be applied by restating previously reported earnings per share. We adopted the provisions of EITF Issue 03-6 during the second quarter of 2004. The adoption of EITF Issue 03-6 did not have a material effect on our basic and diluted net loss per share data at this time.

In June 2004, the FASB issued EITF Issue 03-1 "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". EITF Issue 03-1 establishes a common approach to evaluating other-than-temporary impairment to investments in an effort to reduce the ambiguity in impairment methodology found in APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock" and FASB No. 115, "Accounting for Certain Investments in Debt and Equity Securities", which has resulted in inconsistent application. In September 2004, the FASB issued FASB Staff Position No. EITF Issue 03-1-1, which deferred the effective date for the measurement and recognition guidance clarified in EITF Issue 03-1; however, disclosure requirements have not been deferred. Disclosure requirements are effective for our next annual financial statements. While the effective date for certain elements of EITF Issue 03-1 have been deferred, the adoption of EITF Issue 03-1 when finalized is not expected to have a material impact on our financial position, results of operations or cash flows.

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 we face challenges typically experienced by early-stage companies.

We were founded in June 1998 and did not recognize any revenue until November 1999. 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, or i-STT, and Pihana Pacific, Inc., or Pihana. We refer to this transaction as the combination. 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.

For the year ended December 31, 2003, the combined company incurred losses of $84.2 million and for the nine months ended September 30, 2004, the combined company incurred additional losses of $46.0 million. Until the quarter ended September 30, 2003, the combined company did not generate cash from operations. There can be no guarantee that the combined company will become profitable and the combined company may continue to incur additional losses. Even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We expect our operating results to fluctuate.

We have experienced fluctuations in our 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:

- acquisition of additional IBX hubs;
- 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 operating expenses, 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 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 company may never generate net income 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 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.

If the market price of our stock continues to be highly volatile, the value of an investment in our common stock may decline.

Within the last 12 months, our common stock has traded between $16.80 and $39.00 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. Beginning in 2005 we may begin to convert STT Communications' convertible secured notes into shares of our common stock upon certain conditions, including if the closing price of our common stock exceeds $32.12 per share for thirty consecutive trading days. Sales of a substantial number of shares of our common stock within a narrow period of time could cause our stock price to fall. However, if these convertible secured notes are not converted, we will continue to issue the PIK notes associated with these convertible secured notes which will further dilute our other existing stockholders. Announcements may have a significant impact on the market price of our common stock. These announcements may include:

- our operating results;
- new issuances of equity, debt or convertible debt;
- developments in our relationships with corporate customers;
- changes in regulatory policy or interpretation;
- changes in the ratings of our stock by securities analysts;
- market conditions for telecommunications stocks in general; and
- general economic and market conditions.

The stock market has from time to time experienced extreme price and volume fluctuations, which have particularly affected the market prices for emerging telecommunications companies, and which have often been unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock. In addition, sales of substantial amounts of our common stock in the public market could lower the market price of our common stock.

Our inability to use our tax net operating losses will cause us to pay taxes at an earlier date and in greater amounts which may harm our operating results.

We believe that our ability to use our pre-2003 tax net operating losses, or NOLs, in any taxable year is subject to limitation under Section 382 of the United States Internal Revenue Code of 1986, as amended, (the "Code") as a result of the significant change in the ownership of our stock that resulted from the combination. We expect that almost all of our NOLs accrued prior to December 31, 2002 will expire unused as a result of this limitation. In addition to the limitations on NOL carryforward utilization described above, we believe that Section 382 of the Code will also significantly limit our ability to use the depreciation and amortization on our assets, as well as certain losses on the sale of our assets, to the extent that such depreciation, amortization and losses reflect unrealized depreciation that was inherent in such assets as of the date of the combination. These limitations will cause us to pay taxes at an earlier date and in greater amounts than would occur absent such limitations.

While we believe that we currently have adequate internal control procedures in place, we are still exposed to potential risks from recent legislation requiring companies to evaluate controls under Section 404 of the Sarbanes Oxley Act of 2002.

We are evaluating our internal controls systems in order to allow management to report on, and our independent auditors to attest to, our internal controls, as required by this legislation. We will be performing the system and process evaluation and testing (and any necessary remediation) required in an effort to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes Oxley Act. As a result, we expect to incur additional expenses and diversion of management's time. While we anticipate being able to fully implement the requirements relating to internal controls and all other aspects of Section 404 in a timely fashion, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations since there is no precedent available by which to measure compliance adequacy. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the Securities Exchange Commission or the Nasdaq National Market. In addition, we may be required to incur a substantial financial investment in improving our internal systems and the hiring of additional personnel. Any such action could adversely affect our financial results.

If we cannot effectively 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. For the year ended December 31, 2003, the combined company recognized 15% of its revenues outside North America. For the nine months ended September 30, 2004, the combined company recognized 13% of its revenues outside North America. We anticipate that, for the foreseeable future, approximately 15% 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. 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 Australia, 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. 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.

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

We may seek to acquire additional IBX centers, 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 our existing stockholders' ownership interest and may delay, or prevent, our profitability. These acquisitions may also expose us to risks such as:

- the possibility that we may not be able to successfully integrate acquired businesses or achieve the level of quality in such businesses to which our customers are accustomed;
- the possibility that senior management may be required to spend considerable time negotiating agreements and integrating acquired businesses; and
- the possible loss or reduction in value of acquired businesses.

On April 22, 2004, we announced that we signed a long-term lease agreement for an existing 95,000 square foot data center in the Washington D.C. metro area. In negotiating this transaction we were only able to conduct limited due diligence and received limited representations and warranties. If the leased facility is not in the condition we believe it to be in, we may be required to incur substantial additional costs to repair and/or upgrade the acquired facility. If incurred, these costs could materially adversely affect our business, financial condition and results of operations.

We cannot assure you that we would successfully overcome these risks or any other problems encountered with these acquisitions.

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

As of September 30, 2004, STT Communications owned approximately 24% 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 on December 31, 2004 of restrictions on STT Communications preventing it from converting its convertible secured notes and warrants into voting stock, STT Communications may own more than 40% of our voting stock. In addition, beginning in 2005, we may convert 95% of the Series A-1 convertible secured notes into shares of our capital stock if our common stock has closed above $32.12 for 30 consecutive trading days. As of September 30, 2004, the Series A-1 convertible secured notes, including all paid-in kind notes issued to date, were convertible into 3,917,018 shares of our capital stock. Upon conversion of the notes into shares of our voting stock, 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. 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.

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 or natural disasters such as the hurricanes in the Southeast in 2004, 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.

In addition, power and cooling requirements are growing on a per server basis. As a result, customers are consuming an increasing amount of power per cabinet. This, combined with the fact that we do not control the amount of draw our customers take from installed circuits, means that we could face power limitations in our centers. This could have a negative impact on the available utilization capacity of a given center, which could have a negative impact on our financial performance, operating results and cash flows.

Increases in property taxes could adversely affect our business, financial condition and results of operations.

Our IBX hubs are subject to state and local real property taxes. The state and local real property taxes on our IBX hubs may increase as property tax rates change and as the value of the properties are assessed or reassessed by taxing authorities. Many state and local governments are facing budget deficits, which may cause them to increase assessments or taxes. If property taxes increase, our business, financial condition and operating results could be adversely affected.

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 would constitute “United States real property interests” within the meaning of Section 897(c) of 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. Currently, the fair market value of our “United States real property interests” is significantly below the 50% threshold. However, in order to assure compliance with the FIRPTA covenant, 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, we may take proactive steps to avoid our capital stock being deemed “United States real property interest”, including, but not limited to, (a) a sale-leaseback transaction with respect to some or all of our 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). We will take these actions only if such actions are commercially reasonable for Equinix and our stockholders.

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, including STT Communications. 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. We cannot assure you that any conflicts of interest will be resolved in our favor.

A significant number of shares of our capital stock have been issued during 2002 and 2003 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, to Crosslink Capital, Inc. and its affiliates (collectively, "Crosslink") in connection with Crosslink's purchase of our Series A-2 Convertible Secured Notes, and to the public and STT Communications in connection with our recent follow-on equity offering. The shares of common stock issued in the senior note exchange are currently freely tradeable. The shares of common stock issued in connection with the combination have been registered for resale as of June 30, 2003, 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 and the shares of common stock issued upon conversion of the convertible secured notes issued in the Crosslink financing have been registered for resale as of July 30, 2004. The shares sold to the public and STT Communications in connection with our follow-on equity offering in November 2003 are freely tradeable by the public, subject, in the case of STT Communications, to compliance with Rule 144 resale restrictions applicable to affiliates. Subject to the restrictions described in our proxy statement dated December 12, 2002, the convertible secured notes and warrants issued in connection with the financing are immediately convertible or exercisable into shares of common stock and the underlying shares of common stock may be registered for resale. In February 2004, we issued $86,250,000 of 2.5% Convertible Subordinated Debentures due 2024. These debentures are convertible into 2,183,548 shares of our common stock. Holders of these debentures may convert their debentures into shares of our common stock during any calendar quarter if the sale price of our common stock is greater than or equal to 120% of the conversion price per share of our common stock for 20 out of any 30 consecutive trading days or if the trading price of our debentures falls below specified prices. All of these shares are eligible for resale pursuant to a registration statement that became effective on July 30, 2004. Sales of a substantial number of shares of our common stock by these parties 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. We cannot assure you that we will achieve revenue growth, cost savings or other business economies.

A significant number of our shares may be sold into the public market if STT Communications defaults on its credit facility which could cause the market price of our common stock to drop significantly.

As of September 30, 2004, STT Communications held 2,970,414 shares of our common stock and held securities convertible into 6,751,359 additional shares of our common stock. STT Communications has pledged to its lenders its ownership interest in the majority of its secured notes and warrants purchased in the financing and its common and preferred stock issued in the combination as collateral for its secured credit facility. If STT Communications defaults on its credit facility, the stock, warrants and secured notes owned by STT Communications could be transferred to its lenders or sold to third parties. In the event of default, the new owner of the secured notes and warrants could convert them into our common stock and sell them, along with the common stock, into the public market. Sales of a substantial number of shares of our common stock by these parties 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.

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 could be materially adversely affected.

The presence of diverse telecommunications carriers' fiber networks in 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 the telecommunications carriers' customers to encourage them 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. We cannot assure you that any carrier will elect to offer its services within our IBX hubs or that 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. We have recently acquired long-term leases to two IBX hubs not built by us. If these recently leased IBX hubs and their infrastructure assets are not in the condition we believe them to be in, we may be required to incur substantial additional costs to repair or upgrade the facilities. The services we provide in each of our IBX hubs, whether recently acquired or not, 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 could result in difficulty maintaining 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 are 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 fail 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, Internet service may 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 property and liability insurance may not be adequate to cover these customer claims.

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 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 to pay 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.

IBM accounts for a significant portion of our revenues, and the loss of IBM as a customer could significantly harm our business, financial condition and results of operations.

For the nine months ended September 30, 2004 and 2003, IBM accounted for 13% of our revenue. We expect that IBM will continue to account for a significant portion of our revenue for the foreseeable future, although we expect revenues received from IBM to decline as a percentage of our total revenues as we add new customers in our IBX hubs. Although the term of our IBM contract runs through 2009, IBM currently has the right to reduce its commitment to us pursuant to the terms and requirements of its customer agreement. If we lose IBM as a customer, our business, financial condition and results of operations could be adversely affected.

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 our competitors have the ability to adopt aggressive pricing policies, especially if they have been able to restructure their debt or other obligations. 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 by building new centers or converting existing centers that some of our competitors are in the process of divesting. We may experience competition from our landlords in this regard. Rather than leasing available space in our buildings to large single tenants, they may decide to convert the space instead to smaller square foot units designed for multi-tenant colocation use. Landlords may enjoy a cost effective advantage in providing similar services as our IBXs, and this could also reduce the amount of space available to us for expansion in the future. 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 may 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 one of our IBX hubs and to purchase additional services typically involves a significant commitment of resources. 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 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 continue and therefore 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 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. 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 may not grow and our operating results could suffer.

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. We have limited experience with such international regulatory issues and substantial resources may be required to comply with regulations or bring any non-compliant 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 an 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 service providers. The compliance with, adoption or modification of, laws or regulations relating to the Internet, or interpretations of existing laws, could have a material adverse effect on our business, financial condition and results of operation.

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, increase our 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. We may not have adequate property and liability insurance to cover such catastrophic attacks.

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. 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 convertible subordinated debentures is based on quoted market prices. The estimated fair value of our convertible subordinated debentures as of September 30, 2004 was approximately $89.3 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% of our revenues and approximately 18% of our costs were in the Asia-Pacific region, and a large portion of those revenues and costs were 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. Going forward, we continue to expect that approximately 15% of our revenues and costs will continue to be generated and incurred in the Asia-Pacific region in currencies other than the U.S. dollar, similar to 2003.

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. 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 (the "Individual Defendants"), 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 purported class action alleges violations of Sections 11 and 15 of the Securities Act of 1933 (the "1933 Act") and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act") against the Company and Individual Defendants. The plaintiffs have since dismissed the Individual Defendants without prejudice. 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. The action seeks damages in an unspecified amount. On February 19, 2003, the Court dismissed the Section 10(b) claim against the Company, but denied the motion to dismiss the Section 11 claim. In July 2003, a Special Litigation Committee of the Equinix Board of Directors approved a settlement agreement and related agreements which set forth the terms of a settlement between the Company, the Individual Defendants, the plaintiff class and the vast majority of the other approximately 300 issuer defendants and the individual defendants currently or formerly associated with those companies. 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 through June 1, 2003, Equinix expects that all expenses of settlement, if any, will be paid by our insurance carriers. The settlement agreement has been submitted to the court for approval. The underwriter defendants have filed objections to the settlement agreement. Approval by the Court cannot be assured. On October 13, 2004, the Court certified a Section 11 class in four of the six cases that were the subject of class certification motions and determined that the class period for Section 11 claims is the period between the IPO and the date that unregistered shares entered the market. The Court also ruled that a proper class representative of a Section 11 class must have (1) purchased shares during the appropriate class period; and (2) either sold the shares at a price below the offering price or held the shares until the time of suit. In two of the six cases, the class representatives did not meet the above criteria and therefore, the Section 11 cases were not certified. The Court noted that the decision is intended to provide strong guidance to all parties regarding class certification in the remaining cases. Plaintiffs have not yet moved to certify a class in the Equinix case. Until the settlement is finalized and approved by the Court, or in the event such settlement is not approved, we and our officers and directors intend to continue to defend the actions vigorously.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit Number	Description of Document
2.1 (8)	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 (10)	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.
3.2 (10)	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.
3.3 (9)	Bylaws of the Registrant.
3.4 (13)	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 (2)	Form of Registrant’s Common Stock certificate.
4.10 (9)	Registration Rights Agreement (See Exhibit 10.75).
4.11	Indenture (see Exhibit 10.99).
4.12	Registration Rights Agreement (see Exhibit 10.100).
10.2 (1)	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).
10.5 (1)	Form of Indemnification Agreement between the Registrant and each of its officers and directors.
10.8 (1)	The Registrant’s 1998 Stock Option Plan.
10.9 (1)+	Lease Agreement with Carlyle-Core Chicago LLC, dated as of September 1, 1999.
10.10 (1)+	Lease Agreement with Market Halsey Urban Renewal, LLC, dated as of May 3, 1999.
10.11 (1)+	Lease Agreement with Laing Beaumeade, dated as of November 18, 1998.
10.12 (1)+	Lease Agreement with Rose Ventures II, Inc., dated as of June 10, 1999.
10.13 (1)+	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 (1)+	First Amendment to Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of October 28, 1999.
10.15 (1)+	Lease Agreement with Nexcomm Asset Acquisition I, L.P., dated as of January 21, 2000.
10.16 (1)+	Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of December 15, 1999.

Exhibit Number	Description of Document
10.23 (1)	Purchase Agreement between International Business Machines Corporation and Equinix, Inc. dated May 23, 2000.
10.24 (2)	2000 Equity Incentive Plan.
10.25 (2)	2000 Director Option Plan.
10.26 (2)	2000 Employee Stock Purchase Plan.
10.27 (2)	Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated June 21, 2000.
10.28 (3)+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of July 1, 2000.
10.29 (3)+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of May 1, 2000.
10.30 (3)+	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 (3)+	Lease Agreement with Burlington Associates III Limited Partnership, dated as of July 24, 2000.
10.42 (4)+	First Amendment to Deed of Lease with TrizecHahn Beaumeade Technology Center LLC, dated as of March 22, 2001.
10.43 (4)+	First Lease Amendment Agreement with Market Halsey Urban Renewal, LLC, dated as of May 23, 2001.
10.44 (4)+	First Amendment to Lease with Nexcomm Asset Acquisition I, L.P., dated as of April 18, 2000.
10.45 (4)+	Amendment to Lease Agreement with Burlington Realty Associates III Limited Partnership, dated as of December 18, 2000.
10.46 (5)	First Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of September 26, 2001.
10.48 (5)	2001 Supplemental Stock Plan.
10.53 (6)	Second Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of May 20, 2002.
10.54 (6)+	Amended and Restated Master Service Agreement by and between International Business Machines Corporation and Equinix, Inc., dated as of May 1, 2002.
10.56 (7)+	Second Amendment to Lease Agreement with Burlington Realty Associates III Limited Partnership, dated as of October 1, 2002.
10.58 (7)	Form of Severance Agreement entered into by the Company and each of the Company’s executive officers.

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Exhibit Number	Description of Document
10.60(9)	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(9)	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(9)	Tenancy Agreement over units #05-05, #05-06, #05-07 and #05-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.63(9)	Tenancy Agreement over units #03-01 and #03-02 of Block 28 Ayer Rajah Crescent, Singapore 139959.
10.64(9)	Tenancy Agreement over units #05-01, #05-02, #05-03 and #05-04 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.65(9)	Tenancy Agreement over units #03-05, #03-06, #03-07 and #03-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.69(9)	Lease Agreement with Downtown Properties, LLC dated April 10, 2000, as amended.
10.70(9)	Lease Agreement with Comfort Development Limited dated November 10, 2000.
10.71(9)	Lease Agreement with PacEast Telecom Corporation dated June 15, 2000, as amended.
10.72(9)	Lease Agreement Lend Lease Real Estate Investments Limited dated October 20, 2000.
10.73(9)	Lease Agreement with AIPA Properties, LLC dated November 1, 1999, as amended.
10.74(9)	Third Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of September 30, 2002.
10.75(9)	Registration Rights Agreement by and among Equinix and the Initial Purchasers, dated as of December 31, 2002.
10.76(9)	Securities Purchase Agreement by and among Equinix, the Guarantors and the Purchasers, dated as of October 2, 2002.
10.77(9)	Series A-1 Convertible Secured Note Due 2007 issued to i-STT Investments Pte Ltd on December 31, 2002.
10.78(9)	Preferred Stock Warrant issued to i-STT Investments Pte Ltd on December 31, 2002.
10.79(9)	Change in Control Warrant issued to i-STT Investments Pte Ltd on December 31, 2002.
10.83(11)	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(12)	Sublease by and between Electronics for Imaging as Landlord and Equinix Operating Co., Inc. as Tenant dated February 12, 2003.

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Exhibit Number	Description of Document
10.90 (13)	Expatriate Agreement with Philip Koen, President and Chief Operating Officer of the Company, dated as of June 24, 2003.
10.92 (14)	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.
10.94 (15)	Fourth Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of November 21, 2003.
10.95 (15)+	Sublease Agreement between Sprint Communications Company, L.P. and Equinix Operating Co., Inc. dated October 24, 2003.
10.96 (15)	Tenancy Agreement over units #03-01, #03-02, #03-03, #03-04 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.97 (15)	Lease Agreement with JMA Robinson Redevelopment, LLC, as successor in interest to Carrier Central L.A., Inc., dated as of November 30, 2003.
10.98 (16)	Purchase Agreement between Equinix, Inc. and Citigroup Global Markets Inc. as representative of the initial purchasers named therein dated February 5, 2004.
10.99 (16)	Indenture among Equinix, Inc. and U.S. Bank National Association as Trustee dated February 11, 2004.
10.100 (16)	Registration Rights Agreement between Equinix, Inc. and Citigroup Global Markets Inc. as representative of the initial purchasers named therein dated February 11, 2004.
10.101 (16)	First Amendment to Lease Agreement dated September 1, 1999, between Lakeside Purchaser L.L.C. as successor in interest to Carlyle-Core Chicago, LLC and Equinix Operating Co., Inc.
10.102 (17)	Supplemental Lease Agreement with Comfort Development Limited dated May 18, 2004.
10.103 (18)+	Lease Agreement dated April 21, 2004 between Eden Ventures LLC and Equinix, Inc.
10.104 (18)	Lease Amendment Agreement dated June 17, 2004 between Equinix Japan KK and Mitsubishi Electric Information Network Corporation.
10.105 (18)	Equinix, Inc. 2004 International Employee Stock Purchase Plan effective as of June 3, 2004.
10.106 (18)	Equinix, Inc. Employee Stock Purchase Plan effective as of June 3, 2004.
16.1 (1)	Letter regarding change in certifying accountant.
21.1 (9)	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.

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Exhibit Number	Description of Document
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.

(1) 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).
(2) 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).
(3) 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.
(4) 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.
(5) 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.
(6) 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.
(7) 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.
(8) Incorporated herein by reference to Annex A of Equinix's Definitive Proxy Statement filed with the Commission December 12, 2002.
(9) 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.
(10) 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.
(11) Incorporated herein by reference to exhibit 10.1 in the Registrant's filing on Form 8-K on May 1, 2003.
(12) 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.
(13) 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.
(14) 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, 2003.
(15) 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, 2003.
(16) 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, 2004.
(17) Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement in Form S-3 (Commission File No. 333-116322).
(18) 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, 2004.
+ 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 28, 2004, the Company filed a Current Report on Form 8-K to file the Company's press release from July 28, 2004, in which the Company reported its 2004 second quarter results.

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: November 4, 2004	By:	/s/ RENEE F. LANAM
		Chief Financial Officer and Secretary (Principal Financial Officer)
		/s/ KEITH D. TAYLOR
		Vice President, Finance (Principal Accounting Officer)

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: November 4, 2004

/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: November 4, 2004

/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, 2004 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
November 4, 2004

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, 2004, 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
November 4, 2004