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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 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)	**(IRS 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)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.001

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).☒ Yes ☐ No

The aggregate market value of the voting and non-voting common stock held by non-affiliates computed by reference to the price at which the common stock was last sold, or the average bid and asked price of such common stock, as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $518.2 million.

As of February 28, 2005, a total of 23,445,362 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III—Portions of the registrant's definitive Proxy Statement to be issued in conjunction with the registrant's 2005 Annual Meeting of Stockholders, which is expected to be filed not later than 120 days after the registrant's fiscal year ended December 31, 2004. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be a part of this report on Form 10-K.

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EQUINIX, INC.

FORM 10-K

DECEMBER 31, 2004

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PART I

ITEM 1. BUSINESS

The words “Equinix”, “we”, “our”, “ours”, “us” and the “Company” refer to Equinix, Inc. All statements in this discussion that are not historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding Equinix’s “expectations”, “beliefs”, “hopes”, “intentions”, “strategies” or the like. Such statements are based on management’s current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Equinix cautions investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the risk factors discussed in this Annual Report on Form 10-K. Equinix expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Equinix’s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statements are based.

Overview

Equinix provides network neutral colocation, interconnection and managed services to enterprises, content companies, systems integrators and the world’s largest networks. Through our 15 Internet Business Exchange centers, or IBX centers, in the U.S. and Asia 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 centers, we believe we have established a critical mass of customers. Our differentiated business model, the critical mass and the resulting “network effect,” combined with our strong financial position, has allowed us to continue to accelerate new customer growth and strong bookings from our existing customers; and, given we have a largely fixed cost model related to our existing IBX centers, we believe this customer and booking growth will continue to drive high margins and cash returns.

Our network neutral business model is a key differentiator for Equinix in the market. Because we do not operate a network, we are able to offer direct interconnection to the largest aggregation of bandwidth providers and Internet service providers. The world’s top tier Internet service providers, and numerous access networks, second tier providers and international carriers such AT&T, British Telecom, Cable & Wireless, Level 3, MCI, NTT, SAVVIS, SBC, SingTel, Sprint and Qwest are all currently located at our IBX centers. Access to such a wide variety of networks has attracted all of the top 10 Internet properties and major E-commerce companies including Amazon.com, Disney, Electronic Arts, MSN, Ticketmaster and Yahoo!. In 2004, Equinix also experienced significant growth from enterprise companies and government agencies and now has a strong client base from these sectors including EDS, Fujitsu, Gannett, The Gap, General Electric, Goldman Sachs, IBM, Sony, Wal-Mart, Washington Mutual, and Washington Post.

We offer three types of products and services: Colocation, Interconnection, and Managed IT Infrastructure services.

- Colocation services consist primarily of cabinets and power for our customers’ colocation needs.
- Interconnection services allow customers to trade network traffic with each other directly and simply.
- Managed IT infrastructure services allow our customers to leverage our significant telecommunication expertise, maximize the benefits of our IBX centers and optimize their infrastructure and resources.

This market has historically been served by large telecommunications carriers who have bundled their telecommunications services with their colocation offerings. In mid-2003 two major telecommunications companies announced their plans to exit the U.S. market in order to focus on their core offerings. The majority of the assets from these companies have been sold to managed service providers and we believe we will continue to benefit from gaining customers who are displaced or choose to leave these providers because we offer access to a world-class choice of carriers and service providers. In addition, because many of the exiting competitors networks are already present in Equinix, we have become a natural channel partner for these networks as they continue to experience demand from their customers for quality colocation.

In order to serve this increased demand for our services, we have acquired two additional data centers during 2004 in our key markets in the Silicon Valley and Washington, D.C. areas. Strategically, Equinix will continue to look at financially attractive opportunities to grow our market share and selectively improve our footprint and service streams.

Recent Developments

In April 2004, we entered into a long-term lease for a 95,000 square foot data center in the Washington, D.C. metro area. This data center is adjacent to the Company's existing Washington D.C. metro area IBX. This lease includes the leasing of all of the IBX plant and machinery equipment located in the building. Both the building and equipment components of this lease are being accounted for as a capital lease. We took possession of this property during the fourth quarter of 2004, and as a result, recorded property and equipment assets, as well as a capital lease obligation, totaling $35.3 million. Payments under this lease, which commenced in November 2004, will be made through 2019 at an effective interest rate of 8.50% per annum. We intend to place customers in this center in 2005.

In December 2004, we entered into a long-term lease for a 103,000 square foot data center in the Silicon Valley area. This data center is close to our existing IBX centers in the Silicon Valley, and expands the global Equinix footprint to approximately 1.4 million square feet. This new lease will add an additional $34.2 million in cumulative monthly lease payments through 2020, commencing February 2005. We will take possession of this property during the first quarter of 2005. We currently intend to place customers in this data center in 2005. Concurrent with the signing of this lease, we also purchased the assets located in this data center and entered into an agreement to interconnect all three of our Silicon Valley IBX centers to each other through redundant dark fiber links. This will allow our customers to have access to all the networks and customers in each of the three Silicon Valley IBXs. We are currently evaluating the accounting treatment for this lease, and related agreements, and will have this evaluation completed in March 2005.

In December 2004, in light of the availability of fully built-out data centers in select markets at costs significantly below those costs we would incur in building out new space, we made the decision to exit leases for excess space adjacent to one of our New York metro area IBXs, as well as space on the floor above our original Los Angeles IBX. As a result of our decision to exit these spaces, we recorded a restructuring charge totaling $17.7 million, which represents the present value of our estimated future cash payments, net of any estimated subrental income and expense, through the remainder of these lease terms, as well as the write-off of all remaining property and equipment attributed to the excess space on the floor above our Los Angeles IBX. We entered into a two-year sublease agreement for the excess space in the New York metro area and are currently evaluating opportunities related to our excess space in Los Angeles.

In December 2004, we entered into a $25.0 million line of credit arrangement with Silicon Valley Bank that matures in December 2006. This facility is a $25.0 million revolving line of credit which, at our election, up to $10.0 million may be converted into a 24-month term loan, repayable in eight quarterly installments. We refer to this transaction as the "Silicon Valley Bank credit line." Borrowings under the Silicon Valley Bank credit line bear interest at floating interest rates, plus applicable margins, based either on the prime rate or LIBOR. As of December 31, 2004, the Silicon Valley Bank credit line had an interest rate of 4.40% per annum; however, through the date of filing of this report on Form 10-K, we have not drawn down any amounts from this line of credit. The Silicon Valley Bank credit line also features sublimits, which allows us to issue letters of credit, enter into foreign exchange forward contracts and make advances for cash management services. Our utilization under any of these sublimits would have the effect of reducing the amount available for borrowing under the Silicon Valley Bank credit line during the period that such sublimits remain utilized and outstanding. As of December 31, 2004, we had utilized $3.2 million under the letters of credit sublimit with the issuance of three letters of credit and, as a result, reduced the amount of borrowings available to us from $25.0 million to $21.8 million. The Silicon Valley Bank credit line is secured by substantially all of our domestic assets and contains numerous covenants, including financial covenants, such as maintaining minimum cash balance levels and meeting minimum quarterly revenue targets, which we are in full compliance of. The Silicon Valley Bank credit line provides us with additional liquidity and financing flexibility.

In January 2005, we converted 95% of the outstanding convertible secured notes and accrued and unpaid interest, held by STT Communications Ltd., into 4.1 million shares of our preferred stock, which was subsequently converted into 4.1 million shares of our common stock in February 2005. The remaining 5% of the convertible secured notes, totaling $1.9 million, that remain outstanding will be eligible for conversion by Equinix in early 2006 into approximately 250,000 shares (including anticipated interest expense to be incurred during 2005 and early 2006), provided that the closing price of our common stock exceeds $32.12 per share for thirty consecutive trading days.

Industry Background

The Internet is a collection of numerous independent networks interconnected with each other to form a network of networks. Users on different networks are able to communicate with each other through interconnection between these networks. For example, when a user of the Internet sends an email to another user, assuming that each person uses a different network provider, the email must pass from one network to the other in order to get to the final destination.

In order to accommodate the rapid growth of Internet traffic, an organized approach for network interconnection was needed. The exchange of traffic between these networks became known as peering. Peering is when networks trade traffic at relatively equal amounts and set up agreements to trade traffic for free. At first, government and non-profit organizations established places where these networks could exchange traffic, or peer, with each other—these points were known as network access points, or NAPs. Over time, many NAPs became a natural extension of carrier services and were run by such companies as MFS (now a part of MCI), Sprint, Ameritech and Pacific Bell (both now known as SBC).

Ultimately, these NAPs were unable to scale with the growth of the Internet and the lack of "neutrality" by the carrier owners of these NAPs created a conflict of interest with the participants. This created a market need for network neutral interconnection points that could accommodate the rapidly growing need to increase performance for enterprise and consumer users of the Internet, especially with the rise of important content providers such as Microsoft, Yahoo!, America Online and others. In addition, the providers, as well as a growing number of enterprises required a more secure, reliable solution for direct connection to a variety of telecommunications networks as the importance of their Internet operations continued to grow.

To accommodate Internet traffic growth, the largest of these networks left the NAPs and began trading traffic by placing private circuits between each other. Peering which once occurred at the NAP locations were moved to these private circuits. Over the years, these circuits became expensive to expand and could not be built fast enough to accommodate the growth in traffic. This led to a need by the large carriers to find a more efficient way to trade traffic or peer. Customers have chosen Equinix for their peering operations because they are now able to reach all of the networks they peer with in one location, with simple direct connections. Their ability to peer across the room, instead of across a metro area has increased the scalability of their operations while decreasing cost by upwards of 70%.

Our IBX centers are the next-generation interconnection points. They are designed to handle the scalability issues that exist between both large and small networks, as well as the interconnection between the emerging companies who have become critical to the Internet. We have been successful in uniting the major companies that make up the Internet infrastructure including AT&T, Level 3, MCI, Qwest, SAVVIS and Sprint. These companies, which constitute the world's top Internet service providers, together with most of the major broadband networks, including America Online, Comcast Corporation, Cox Communications, MSN and SBC, second tier backbones such as Global Crossing, Verio and WilTel, top international telecommunications carriers, including Bell Canada, British Telecom, Deutsche Telecom, France Telecom, Japan Telecom, KDDI, SingTel, StarHub, Telia and Telstra, and almost every fiber, sonet, Ethernet and competitive local exchange companies, including Looking Glass Networks and OnFiber Communications, and incumbent local exchange company, including BellSouth, SBC and Verizon, are our customers and use us to interconnect with each other and their customers. Additionally, we provide an important industry leadership role in the area of exchange points and are consistently looked to as an industry expert and key influencer in this subject matter.

Content providers and enterprises can now control their own network performance and destiny by choosing the various service providers they wish to work with and by establishing direct connections for this connectivity. For our customers, this represents significant cost savings and increased flexibility to move among providers.

Our Solution

Our IBX centers provide the environment and services to meet the networking and IT operations challenges facing enterprises, networks and Internet businesses today. As a result, we are able to provide the following key benefits to our customers:

Quality. Our IBX centers provide customers with a secure, high quality solution for their colocation needs. Enterprise and content companies have demanding requirements for data center uptime, security, power backup and other important attributes. We have designed our centers and processes to exceed the requirements for the most important financial institutions, government agencies and key enterprise brands such as Amazon.com, The Gap, Goldman Sachs, Macromedia, Sony and Ticketmaster. We have a track record of 99.999% uptime and are continually testing and refining processes to ensure that we will continue to provide the stability and quality that customers expect.

Performance. Because we provide direct access to the providers that serve more than 90% of the world's Internet routes and users, customers can quickly, efficiently, cost-effectively and reliably exchange traffic with their network services providers for higher performance operations. Access to the more than 200 networks ensures high-quality direct interconnection. With the mass of networks present, global enterprises are increasingly looking at ways to provide network diversity and increase performance of their operations, and are utilizing our IBX centers to ensure their IT infrastructures are operating at the interconnection hub of the Internet. By using multiple networks, customers are able to insure their operations in the event that one of their network service providers has a service interruption or restructuring in the business. The network service providers and geographic diversity we offer provides customers with the flexibility to enable the highest performing Internet operations.

Improved Economics. Our services such as Equinix GigE Exchange and Equinix Internet Core Exchange facilitate peering and dramatically reduce costs for critical transit, peering and traffic exchange operations by eliminating the costs of private peering or local loops. Networks such as Cox, British Telecom, China Telecom and SBC and content providers such as Electronic Arts, Google, MSN and Yahoo! can save between 20% to 70% of bandwidth costs through the traffic exchange services we offer. In addition, content companies and enterprises can save significant bandwidth costs because the number of networks housed within Equinix competing for the traffic of these companies results in lower prices while increasing performance.

Access to International Markets. We offer our network, content and enterprise customers a one-stop solution for their outsourced IT infrastructure needs in the U.S. and Asia-Pacific. This is especially important for U.S. enterprises who want to expand into Asia-Pacific, where the myriad of complexities for doing business in each country remains challenging. We offer a consistent standard of quality, a single contract and a single point of support for all our locations throughout the U.S. and Asia-Pacific.

Our Strategy

Our objective is to become the premier hub for critical Internet players, enterprises and government agencies to locate their Internet operations in order to gain maximum benefits from the choice of networks and partners in the most simple and efficient manner. Key components of our strategy include the following:

Continue to Build upon our Critical Mass of Network Providers and Content Companies, and Grow our Position within Enterprise and Government. We have assembled a critical mass of premier network providers and content companies and have become one of the core hubs of the Internet. This critical mass is a key selling point since content companies want to connect with a diverse set of networks to provide the best connectivity to their end-customers, and network companies want to sell bandwidth to content customers and interconnect with other networks in the most efficient manner available. Currently, we have over 200 unique networks, including all of the top tier networks, allowing our customers to directly interconnect with providers that serve more than 90% of global Internet routes. We have a growing mass of key players in the enterprise sector, such as The Gap, GE, Gannett, Goldman Sachs, IBM, Sony Corporation, Washington Mutual and others. Similarly, we have experienced increasing success in the government sector within defense and security. We expect these sectors be a key growth driver in 2005 and beyond.

Leverage the Network Effect. As networks, content providers and other enterprises locate in our IBX centers, 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. The ability to directly interconnect with a wide variety of companies is a key differentiator for Equinix in the market.

Promote our IBX Centers as the Highest Performance Points on the Internet Our premier IBX centers offer state of the art design and security, 24 hour / 365 days a year customer service, and high quality power and back-up redundancy with 99.999% uptime. Underscoring our customer satisfaction over the past year, our embedded customer base has consistently provided approximately 75% of our growth in a given quarter.

Provide New Products and Services within our IBX Centers We will continue to offer additional products and services that are most valuable to our customers as they manage their Internet and network businesses and, specifically, as they attempt to effectively utilize multiple networks. For example, we offer an automated service to allow customers to easily choose and provision multiple networks with a simple easy to use portal.

Customers

Our customers include carriers and other bandwidth providers, internet service providers, enterprises, content providers and system integrators. We offer each customer a choice of business partners and solutions based on their colocation, interconnection and managed IT service needs. As of December 31, 2004, we had 950 customers worldwide.

Typical customers in each category include the following:

Carriers/Networks	Content Providers	Enterprise
AT&T	Amazon.com	Apple
Cable & Wireless	AOL	Deutsche Boerse
Comcast	Electronic Arts	Electronic Data Systems
Level 3	Google	Fidelity Investments
MCI	MSN	Fujitsu
NTT	Sony	Gannett
SAVVIS	Ticketmaster	The Gap
SBC	Wal-Mart	Goldman Sachs
Sprint	Washington Post	IBM
Verizon	Yahoo!	Washington Mutual

Customers typically sign renewable contracts of one or more years in length. Our single largest customer, IBM, represented approximately 13%, 15% and 20% of total revenues for the years ended December 31, 2004, 2003 and 2002, respectively. No other single customer accounted for more than 10% of revenues during this time.

Products and Services

Our products and services are comprised of three types: Colocation, Interconnection and Managed IT Infrastructure services.

Colocation Services

Our IBX centers provide our customers with secure, reliable and fault-tolerant environments that are necessary for optimum Internet commerce interconnection. Our IBX centers include multiple layers of physical security, scalable cabinet space availability, on-site trained staff 24 hours per day, 365 days per year, dedicated areas for customer care and equipment staging, redundant AC/DC power systems and multiple other redundant, fault-tolerant infrastructure systems. Some specifications or services provided may differ in our Asia-Pacific locations in order to properly meet the local needs of customers in those locations.

Within our IBX centers, customers can place their equipment and interconnect with a choice of networks or other business partners. We also provide customized solutions for customers looking to package our IBX space as part of their complex solutions. Our colocation products and services include:

Cabinets. Our customers have several choices for colocating their networking and server equipment. They can place the equipment in one of our shared or private cages or customize their space. As a customer's colocation requirements increase, they can expand within their original cage or upgrade into a cage that meets their expanded requirements. Cabinets are priced with an initial installation fee and an ongoing recurring monthly charge.

Power. We offer both AC and DC power circuits at various amperages and phases customized to a customer's individual power requirements. Power is becoming an element of increasing importance in customers' colocation decisions.

IBXflex. This service allows customers to deploy mission-critical operations personnel and equipment on-site at our IBX centers. Because of the close proximity to their end-users, IBXflex customers can offer a faster response and quicker troubleshooting solution than those available in traditional colocation facilities. This space can also be used as a secure disaster recovery point for customers' business and operations personnel. This service is priced with an initial installation fee and an ongoing recurring monthly charge.

Interconnection Services

Our interconnection services enable scalable, reliable and cost-effective interconnection and traffic exchange between all Equinix customers. These interconnection services are either on a one-to-one basis with direct cross connects or one-to-many through one of our peering services. In peering, we provide an important industry leadership role by acting as the relationship broker between parties who would like to interconnect within our IBX centers. Our staff holds significant positions in the leading industry groups such as the North American Network Operators' Group, or NANOG, and the Internet Engineering Task Force, or IETF, and bring a tremendous amount of knowledge to this area. Our staff published industry-recognized white papers and strategy documents in the areas of peering and interconnection, many of which are used by leading institutions worldwide in furthering the education and promotion of this important network arena. To showcase these efforts, we hold peering forums which are now widely recognized as a very influential forum for the world's top peering experts. We will continue to develop additional services in the area of traffic exchange that will allow our customers to leverage the critical mass of networks now available in our IBX centers. The current exchange services are comprised of the following:

Physical Cross-Connect/Direct Interconnections. Customers needing to directly and privately connect to another IBX customer can do so through single or multi-mode fiber. These cross connections are the physical link between customers and can be implemented within 24 hours of request. Cross-connect services are priced with an initial installation fee and an ongoing monthly recurring charge.

Equinix Internet Core Exchange. This interconnection service enables direct peering interconnections between major backbone networks and providers. Equinix Internet Core Exchange is a pre-provisioned interconnection package that enables major backbones to connect their networks directly in a centralized, neutral environment for peering and transit. The service includes pre-provisioned interconnections, premium service levels and specialized customer service features to support the quality and support levels required by the largest Internet providers in the world. Internet Core Exchange services are priced with an initial installation fee and an ongoing monthly recurring charge.

Equinix GigE Exchange. Customers may choose to connect to our GigE Exchange via a central switching fabric rather than purchase a direct physical cross connection. With a connection to this switch, a customer can aggregate multiple interconnects over one physical connection instead of purchasing individual physical cross connects. The GigE Exchange service is offered as a bundled service that includes a cabinet, power, cross connects and port charges. The service is priced by IBX with an initial installation fee and an ongoing monthly recurring charge. Individual IBX prices scale upward based on the number of participants on the exchange service.

Internet Connectivity Services. Customers who are installing equipment in our IBX centers generally require IP connectivity or bandwidth services. Although many large customers prefer to contract directly with carriers, we will offer customers the ability to contract for these services through us from any of the major bandwidth providers. This service, which is primarily provided in Asia, is targeted to customers who require a single bill and a single point of support for all of their services contract through Equinix for their bandwidth needs. Internet Connectivity Services are priced with an initial installation fee and an ongoing monthly recurring charge based on the amount of bandwidth committed.

Managed IT Infrastructure Services

With the continued growth in Internet use, networks, service providers, enterprises and content providers are challenged to deliver fast and reliable service, while lowering costs. With over 200 ISPs and carriers located in our IBX centers, we leverage the value of network choice with our set of multi-network management and other outsourced IT services.

Professional Services. Our IBX centers are staffed with Internet and telecommunications specialists who are on-site and available 24 hours per day, 365 days per year. These professionals are trained to perform installations of customer equipment and cabling. Professional services are custom-priced depending on customer requirements.

"Smart Hands" Services. Our customers can take advantage of our professional "Smart Hands" service, which gives customers access to our IBX staff for a variety of tasks, when their own staff is not on site. These tasks may include equipment rebooting, power cycling, card swapping, and performing emergency equipment replacement. Services are available on-demand or by customer contract and are priced on an hourly basis.

Equinix Direct. Equinix Direct is a managed multi-homing service that allows customers to easily provision and manage multiple network connections over a single interface. Customers can choose branded networks on a monthly basis with no minimums or long-term commitments. This service is priced with an initial install fee and ongoing monthly recurring charges.

Equinix Mail Service. Equinix's enterprise messaging service is a complete outsourced solution, primarily based mainly on the Lotus Notes and Microsoft Exchange platform, which customers entrust the operation and support of their messaging applications. This service is currently only available in our Singapore location and the service is priced with an initial installation fee and an ongoing monthly recurring charge.

Managed Platform Solutions. Managed Platform Solutions delivers pre-qualified, pre-installed, pre-hardened and fully managed systems platforms upon which customers can host their co-located applications. These platforms are available in different configuration to meet the needs of the customer. Each configuration includes the server(s), operating system, network connectivity, and system administration management as well as options for database and network administration. This service is only available in the Equinix Singapore location and the service is priced with an initial installation fee and an ongoing monthly recurring charge.

Sales and Marketing

Sales. We use a direct sales force and channel marketing program to market our services to network, content provider, enterprise, government and Internet infrastructure businesses. We organize our sales force by customer type as well as by establishing a sales presence in diverse geographic regions, which enables efficient servicing of the customer base from a network of regional offices. In addition to our worldwide headquarters located in Silicon Valley, we have established an Asian-Pacific regional headquarters in Singapore. Our U.S. sales offices are located in New York; Boston; Reston, Virginia; Los Angeles; Honolulu; Chicago and Silicon Valley. Our Asia-Pacific sales offices are located in Hong Kong, Tokyo, Singapore and Sydney.

Our sales team works closely with each customer to foster the natural network effect of our IBX model, resulting in access to a wider potential customer base via our existing customers. As a result of the IBX interconnection model, IBX center participants encourage their customers, suppliers and business partners to come into the IBX centers. These customers, suppliers and business partners, in turn, encourage their business partners to locate in IBX centers resulting in additional customer growth. This network effect significantly reduces our new customer acquisition costs. In addition, large network providers or managed service providers may refer customers to Equinix as a part of their total customer solution.

In 2004, Equinix established a channel sales program to take advantage of the many networks that were exiting the colocation business to focus on their core competencies. These channel partners are primarily large telecommunications providers whose networks are already installed in Equinix IBX centers and who have customers that require high quality colocation, in addition to their network services.

Marketing. To support our sales effort and to actively promote our brand in the U.S. and Asia-Pacific, we conduct comprehensive marketing programs. Our marketing strategies include an active public relations campaign and on-going customer communications programs. Our marketing efforts are focused on major business and trade publications, online media outlets, industry events and sponsored activities. Our staff holds leadership positions in key networking organizations and we participate in a variety of Internet, computer and financial industry conferences and place our officers and employees in keynote speaking engagements at these conferences. In addition to these activities, we build recognition through sponsoring or leading industry technical forums and participating in Internet industry standard-setting bodies. We continue to develop and host the industry's most successful educational forums focused on peering technologies and peering practices for ISPs and content providers.

Competition

Our current and potential competition includes:

- *Internet data centers operated by established U.S. and Asia-Pacific communications carriers such as AT&T, Level 3, NTT, SAVVIS and SingTel.* Unlike the major network providers, who constructed data centers primarily to help sell bandwidth, we have aggregated multiple networks in one location, providing superior diversity, pricing and performance. Telecommunications companies' data centers generally only provide one choice of carrier and generally require capacity minimums as part of their pricing structures. Locating in our IBX centers provides access to top tier networks and allows customers to negotiate the best prices with a number of carriers resulting in better economics and redundancy. In 2003 and 2004, two major carriers who had built and operated their own data centers exited the U.S. colocation market. The disposition of these assets has been completed with various owners assuming the assets, including SAVVIS. Because these operators are not network neutral, we believe we have an advantage in gaining the business of those customers displaced from these carriers because access to their networks are also available in our IBX centers.

- *U.S. Network access points such as Switch and Data/Palo Alto Internet Exchange and carrier operated NAPs.* NAPs, generally operated by carriers, are typically older facilities and lack the incentive to upgrade the infrastructure in order to scale with traffic growth. In contrast, we provide state-of-the-art, secure facilities and geographic diversity with round the clock support and a full range of network and content provider offerings.
- *Vertically integrated web site hosting, colocation and ISP companies such as AboveNet, Digex/MCI and SAVVIS.* Most managed service providers require that customers purchase their entire network and managed services directly from them. We are a network and service provider aggregator and allow customers the ability to contract directly with the networks and web-hosting partner best for their business. By locating in one of our IBX centers, hosting companies add more value to our business proposition by bringing in more partners and customers and thus enhancing a network effect.

Unlike other providers whose core businesses are bandwidth or managed services, we focus on neutral hubs for networks, content providers, enterprises and government. As a result, we are free of the channel conflict common at other hosting/colocation companies. We compete based on the quality of our facilities, our ability to provide a one-stop solution in our U.S. and Asia-Pacific locations, the superior performance and diversity of our network neutral strategy and the economic benefits of the aggregation of top networks and Internet businesses under one roof. Specifically, we have established relationships with a number of leading hosting companies such as IBM (our largest customer) and EDS. We expect to continue to benefit from several industry trends including the consolidation of supply in the colocation market, the need for contracting with multiple networks due to the uncertainty in the telecommunications market, enterprise customers' growth in outsourcing and the continued growth of the large and stable systems integrators.

Employees

As of December 31, 2004, we had 468 employees. We had 315 employees based in the U.S. and 153 employees based in Asia-Pacific. Of our U.S. employees, we had 192 based at our corporate headquarters in Foster City, California and our regional sales offices. Of those employees, 77 were in engineering and operations, 66 were in sales and marketing and 49 were in management and finance. We had 123 employees based at our IBX centers in Chicago, Illinois; Dallas, Texas; Honolulu, Hawaii; Los Angeles and Silicon Valley, California; New York, New York; and the Washington, D.C. area. Of our Asia-Pacific employees, we had 98 at our Asia-Pacific headquarters in Singapore and our other regional offices. Of those employees, 31 were in engineering and operations, 26 were in sales and marketing and 41 were in management and finance. We had 55 employees based at our IBX centers in Hong Kong, Singapore, Sydney, and Tokyo.

Available Information

We were incorporated in Delaware in June 1998. We are required to file reports under the Exchange Act with the SEC. You may read and copy our materials on file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You may obtain information regarding the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website at http://www.sec.gov that contains reports, proxy and information statements and other information.

You may also obtain copies of our annual report on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K by visiting the investor relations page on our website, www.equinix.com. Information contained on our website is not part of this annual report on Form 10-K.

ITEM 2. PROPERTIES

Our executive offices are located in Foster City, California, and we also have sales offices in several cities throughout the United States. Our Asia-Pacific headquarter office is located in Singapore and we also have some office space in Hong Kong and Tokyo, Japan. We have entered into leases for IBX centers in Ashburn, Virginia; Chicago, Illinois; Dallas, Texas; Honolulu, Hawaii; Los Angeles, San Jose and Santa Clara, California; Newark and Secaucus, New Jersey; Hong Kong; Singapore; Sydney, Australia and Tokyo, Japan. We also hold a ground leasehold interest in certain unimproved real property in San Jose, California, consisting of approximately 40 acres.

ITEM 3. 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. In addition, similar lawsuits were filed against approximately 300 other issuers and related parties. 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. Among other provisions, the settlement provides for a release of the Company and the individual defendants and the Company’s agreeing to assign away, not assert, or release certain potential claims the Company may have against its underwriters. The settlement agreement also provides a guaranteed recovery of $1 billion to plaintiffs for the cases relating to all of the approximately 300 issuers. To the extent that the underwriter defendants settle all of the cases for at least $1 billion, no payment will be required under the issuers’ settlement agreement. To the extent that the underwriter defendants settle for less than $1 billion, the issuers are required to make up the difference. It is anticipated that any potential financial obligation of Equinix to plaintiffs pursuant to the settlement, currently such claims are expected to be less than $3.4 million, will be covered by existing insurance and we do not expect that the settlement will involve any payment by the Company. The Company has no information as to whether there are any material limitations on the expected recovery by other issuer defendants of any potential financial obligation to plaintiffs from their own insurance carriers. The settlement agreement has been submitted to the Court for approval. The underwriter defendants have filed objections to the settlement agreement. As approval by the Court cannot be assured, the Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows.

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 noted that its decision on those cases 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None during the fourth quarter of 2004.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the Nasdaq National Market System under the symbol EQIX. Our common stock began trading in August 2000. The following table sets forth on a per share basis the low and high closing prices of our common stock as reported by the Nasdaq National Market during the last two years.

	Low	High
Fiscal 2004:		
Fourth Fiscal Quarter	$ 31.44	$ 43.10
Third Fiscal Quarter	26.59	33.52
Second Fiscal Quarter	27.86	35.84
First Fiscal Quarter	26.49	36.87
Fiscal 2003:		
Fourth Fiscal Quarter	$ 17.04	$ 28.25
Third Fiscal Quarter	8.03	23.37
Second Fiscal Quarter	2.90	10.40
First Fiscal Quarter	2.95	7.70

As of December 31, 2004, we had issued 18,999,468 shares of our common stock held by approximately 458 registered holders.

We have never declared or paid any cash dividends on our common stock and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain our earnings, if any, for future growth. Future dividends on our common stock, if any, will be at the discretion of our board of directors and will depend on, among other things, our operations, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as our board of directors may deem relevant.

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

During the quarter ended December 31, 2004, we did not issue or sell any new securities.

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Equity Compensation Plan Information

The following table provides information as of December 31, 2004 with respect to the shares of the Company's common stock that may be issuable under the Company's existing equity compensation plans.

The following information is as of December 31, 2004:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options and rights	(b) Weighted-average exercise price of outstanding options and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders*	3,766,662	$ 25.55	876,719**
Equity compensation plans not approved by security holders	35,132	$ 12.16	1,390,982
Totals	3,801,794	$ 25.42	2,267,701

* On each January 1, beginning in 2001, the number of shares reserved for issuance under the following equity compensation plans will be automatically increased as follows: the 2000 Equity Incentive Plan will be automatically increased by the lesser of 6% of the then outstanding shares of common stock or 6 million shares; the 2000 Director Option Plan will be automatically increased by 50,000 shares of common stock; the Employee Stock Purchase Plan will be automatically increased by the lesser of 2% of the then outstanding shares of common stock or 600,000 shares; and, beginning in 2005, the 2004 Employee Stock Purchase Plan will be automatically increased by the lesser of 2% of the then outstanding shares of common stock or 500,000 shares . The Employee Stock Purchase Plan was succeeded by the 2004 Employee Stock Purchase Plan and after January 1, 2005, no additional shares will be added to the Employee Stock Purchase Plan.

** Includes 353 shares from the Employee Stock Purchase Plan and 500,000 shares from the 2004 Employee Stock Purchase Plan.

The following equity compensation plan of the Company that was in effect as of December 31, 2004 was adopted without the approval of the Company's security holders:

The Equinix 2001 Supplemental Stock Plan was adopted by the board of directors effective September 26, 2001. The Company has reserved 1,493,961 shares of common stock for issuance under the 2001 Supplemental Stock Plan. Nonstatutory options and restricted stock awards may be granted under the 2001 Supplemental Stock Plan to employees of the Company (or any parent or subsidiary corporation) who are neither officers nor Board members at the time of grant or to consultants. All option grants will have an exercise price per share equal to not less than 85% of the fair market value per share of common stock on the grant date. Each option will vest in installments over the optionee's period of service with the Company. The purchase price for newly issued restricted shares awarded under the 2001 Supplemental Stock Plan may be paid in cash, by promissory note or by the rendering of past or future services. As of December 31, 2004, options covering 35,132 shares of common stock were outstanding under the 2001 Supplemental Stock Plan, 1,390,982 shares remained available for future option grants, and options covering 67,847 shares had been exercised. The options will vest on an accelerated basis in the event the Company is acquired and those options are not assumed or replaced by the acquiring entity. An option or award will become fully exercisable or fully vested if the holder's employment or service is involuntarily terminated within 18 months following the acquisition. The Board may amend or terminate the 2001 Supplemental Stock Plan at any time. The 2001 Supplemental Stock Plan will continue in effect indefinitely unless the board decides to terminate the plan earlier.

ITEM 6. SELECTED FINANCIAL DATA

The following statement of operations data for the five years ended December 31, 2004 and the balance sheet data as of December 31, 2004, 2003, 2002, 2001 and 2000 have been derived from our audited consolidated financial statements and the related notes to the financial statements. Our historical results are not necessarily indicative of the results to be expected for future periods. The following selected consolidated financial data for the three years ended December 31, 2004 and as of December 31, 2004 and 2003, should be read in conjunction with our consolidated financial statements and the related notes to the consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K.

	Years ended December 31,				
	2004	2003	2002	2001	2000
	(dollars in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$ 163,671	$ 117,942	$ 77,188	$ 63,414	$ 13,016
Costs and operating expenses:					
Cost of revenues	136,950	128,121	104,073	94,889	43,401
Sales and marketing	18,604	19,483	15,247	16,935	20,139
General and administrative	32,494	34,293	30,659	58,286	56,585
Restructuring charges	17,685	—	28,885	48,565	—
Total costs and operating expenses	205,733	181,897	178,864	218,675	120,125
Loss from operations	(42,062)	(63,955)	(101,676)	(155,261)	(107,109)
Interest income	1,291	296	998	10,656	16,430
Interest expense	(11,496)	(20,512)	(35,098)	(43,810)	(29,111)
Gain (loss) on debt extinguishment and conversion	(16,211)	—	114,158	—	—
Income taxes	(153)	—	—	—	—
Net loss	$ (68,631)	$ (84,171)	$ (21,618)	$ (188,415)	$ (119,790)
Net loss per share:					
Basic and diluted	$ (3.87)	$ (8.76)	$ (7.23)	$ (76.62)	$ (111.23)
Weighted average shares	17,719	9,604	2,990	2,459	1,077

	As of December 31,				
	2004	2003	2002	2001	2000
	(dollars in thousands)				
Balance Sheet Data:					
Cash, cash equivalents and short-term and long-term investments	$ 108,092	$ 72,971	$ 41,216	$ 87,721	$ 207,210
Accounts receivable, net	11,919	10,178	9,152	6,909	4,925
Restricted cash and short-term investments	84	1,835	4,407	28,044	36,855
Property and equipment, net	343,361	343,554	390,048	325,226	315,380
Construction in progress	—	—	—	103,691	94,894
Total assets	501,798	464,532	492,003	575,054	683,485
Debt facilities and capital lease obligations, excluding current portion	34,529	723	3,633	6,344	6,506
Credit facility, excluding current portion	—	22,281	89,529	105,000	—
Senior notes	—	29,220	28,908	187,882	185,908
Convertible secured notes	35,824	31,683	25,354	—	—
Convertible subordinated debentures	86,250	—	—	—	—
Total stockholders' equity	273,706	320,077	284,194	203,521	375,116
Other Financial Data:					
Net cash provided by (used in) operating activities	36,912	(17,266)	(27,509)	(68,854)	(68,073)
Net cash used in investing activities	(56,865)	(49,179)	(7,528)	(153,014)	(302,158)
Net cash provided by financing activities	19,239	52,288	16,924	107,799	339,847

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary should be read in conjunction with the financial statements and related notes contained elsewhere in the Annual Report on Form 10-K. 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 "Liquidity and Capital Resources" and "Risk Factors" 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 15 IBX centers in the U.S. and Asia-Pacific, customers can directly interconnect with each other for critical traffic exchange requirements. As of December 31, 2004, we had IBX centers totaling an aggregate of approximately 1.4 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 centers, 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 centers, 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 centers, 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 achieved through the completion of a series of financing transactions has resulted in an acceleration of new customer growth and related revenue bookings. Our current financial stability and focused business model have been important factors in this acceleration, both from new and existing customers. While we had generated negative operating cashflow in each annual period since inception through the quarter ended June 30, 2003, 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 for our predominantly fixed cost structure related to our existing IBX centers. 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 related to our existing IBX centers are fixed in nature, we anticipate any growth in revenues will have a significant incremental flow-through to gross profit. Since reaching this point in our operating history, we have consistently generated operating cashflows for the past six quarters and we continue to expect to generate operating cash flows in 2005 and beyond at levels 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 in order 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 own or operate a network, yet have greater than 200 networks operating out of our IBX centers. As a result, we are able to offer our customers a substantial choice of networks given our network neutrality thereby allowing our customers to choose from numerous network service providers. We believe this is a distinct and sustainable competitive advantage, 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 more fully managed solution, certain of our other customers, such as IBM and EDS, can provide such a solution within our network rich IBX centers.

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 acquisition of the Sprint property in Santa Clara in December 2003 and our 2004 expansions in the Washington, D.C. and Silicon Valley area markets (see Recent Developments below). However, we will continue to be very selective with any similar opportunity. As was the case with these 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 recent expansions, the right combination of these factors may be attractive for us. Dependent on the particular deal, these acquisitions may require upfront cash payments and 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 primarily 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.

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 for a 95,000 square foot data center in the Washington, D.C. metro area. This data center is adjacent to the Company's existing Washington D.C. metro area IBX. This lease includes the leasing of all of the IBX plant and machinery equipment located in the building. Both the building and equipment components of this lease are being accounted for as a capital lease. We took possession of this property during the fourth quarter of 2004, and as a result, recorded property and equipment assets, as well as a capital lease obligation, totaling $35.3 million. Payments under this lease, which commenced in November 2004, will be made through 2019 at an effective interest rate of 8.50% per annum. We intend to place customers in this center in 2005.

In December 2004, we entered into a long-term lease for a 103,000 square foot data center in the Silicon Valley area. This data center is close to our existing IBX centers in the Silicon Valley, and expands the global Equinix footprint to approximately 1.4 million square feet. This new lease will add an additional $34.2 million in cumulative monthly lease payments through 2020, commencing February 2005. We will take possession of this property during the first quarter of 2005. We currently intend to place customers in this data center in 2005. Concurrent with the signing of this lease, we also purchased the assets located in this data center and entered into an agreement to interconnect all three of our Silicon Valley IBX centers to each other through redundant dark fiber links managed by us. This will allow our customers to have access to all the networks and customers in each of the three Silicon Valley IBXs. We are currently evaluating the accounting treatment for this lease, and related agreements, and will have this evaluation completed in March 2005.

In December 2004, in light of the availability of fully built-out data centers in select markets at costs significantly below those costs we would incur in building out new space, we made the decision to exit leases for excess space adjacent to one of our New York metro area IBXs, as well as space on the floor above our original Los Angeles IBX. As a result of our decision to exit these spaces, we recorded a restructuring charge totaling $17.7 million, which represents the present value of our estimated future cash payments, net of any estimated subrental income and expense, through the remainder of these lease terms, as well as the write-off of all remaining property and equipment attributed to the excess space on the floor above our Los Angeles IBX. We entered into a two-year sublease agreement for the excess space in the New York metro area and are currently evaluating opportunities related to our excess space in Los Angeles.

In December 2004, we entered into a $25.0 million line of credit arrangement with Silicon Valley Bank that matures in December 2006. This facility is a $25.0 million revolving line of credit which, at our election, up to $10.0 million may be converted into a 24-month term loan, repayable in eight quarterly installments. We refer to this transaction as the “Silicon Valley Bank credit line.” Borrowings under the Silicon Valley Bank credit line bear interest at floating interest rates, plus applicable margins, based either on the prime rate or LIBOR. As of December 31, 2004, the Silicon Valley Bank credit line had an interest rate of 4.40% per annum; however, through the date of filing of this report on Form 10-K, we have not drawn down any amounts from this line of credit. The Silicon Valley Bank credit line also features sublimits, which allows us to issue letters of credit, enter into foreign exchange forward contracts and make advances for cash management services. Our utilization under any of these sublimits would have the effect of reducing the amount available for borrowing under the Silicon Valley Bank credit line during the period that such sublimits remain utilized and outstanding. As of December 31, 2004, we had utilized $3.2 million under the letters of credit sublimit with the issuance of three letters of credit and, as a result, reduced the amount of borrowings available to us from $25.0 million to $21.8 million. The Silicon Valley Bank credit line is secured by substantially all of our domestic assets and contains numerous covenants, including financial covenants, such as maintaining minimum cash balance levels and meeting minimum quarterly revenue targets, which we are in full compliance of. The Silicon Valley Bank credit line provides us with additional liquidity and financing flexibility.

In January 2005, we converted 95% of the outstanding convertible secured notes and accrued and unpaid interest, held by STT Communications Ltd., into 4.1 million shares of our preferred stock, which was subsequently converted into 4.1 million shares of our common stock in February 2005. The remaining 5% of the convertible secured notes, totaling $1.9 million, that remain outstanding will be eligible for conversion by Equinix in early 2006 into approximately 250,000 shares (including anticipated interest expense to be incurred during 2005 and early 2006), provided that the closing price of our common stock exceeds $32.12 per share for thirty consecutive trading days. We refer to this transaction as the “STT convertible secured notes conversion.”

The Combination, Financing, Senior Note Exchange and Crosslink Financing

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. i-STT's business was based in Singapore, with operations in Singapore and a joint venture in Thailand. Pihana's business was based in Hawaii, with operations in Honolulu, Los Angeles, Hong Kong, Singapore, Sydney and Tokyo. In connection with the acquisition of i-STT and Pihana, we issued approximately 3.5 million shares of our common stock and approximately 1.9 million shares of our Series A preferred stock. We refer to this transaction as the "combination." In conjunction with the combination, we issued to i-STT's former parent company, STT Communications Ltd., or STT Communications, a $30.0 million convertible secured note in exchange for cash. We refer to this transaction as the "financing."

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

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

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

Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

- Revenue recognition and allowance for doubtful accounts;
- Accounting for income taxes;
- Estimated and contingent liabilities;
- Accounting for property and equipment;
- Impairment of long-lived assets, including goodwill;
- Accounting for leases and IBX acquisitions;
- Accounting for restructuring charges; and
- Accounting for stock-based compensation.

Revenue Recognition and Allowance for Doubtful Accounts. We derive more than 90% of our 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 our 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 or expected customer relationship. Professional service fees are recognized in the period in which the services were provided and represent the culmination of the earnings process as long as they meet the criteria for separate recognition under EITF Abstract No. 00-21, "Revenue Arrangements with Multiple Deliverables." 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 we act as the principal in the transaction, take title to products and services and bear inventory and credit risk. To the extent we do not meet the criteria for gross basis accounting for bandwidth and equipment revenue, we record the revenue on a net basis. 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.

We occasionally guarantee certain service levels, such as uptime, as outlined in individual customer contracts. To the extent that these service levels are not achieved, we reduce revenue for any credits given to the customer as a result. We generally have 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. We assess collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. We generally do not request collateral from our customers, although in certain cases we obtain a security interest in a customer's equipment placed in our IBX centers or obtain a deposit. If we determine that collection of a fee is not reasonably assured, we defer the fee and recognize revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash. In addition, we also maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments for those customers that we had expected to collect the revenues. If the financial condition of our customers were to deteriorate or if they become insolvent, resulting in an impairment of their ability to make payments, allowances for doubtful accounts may be required. Management specifically analyzes accounts receivable and current economic news and trends, historical bad debts, customer concentrations, customer credit-worthiness and changes in customer payment terms when evaluating revenue recognition and the adequacy of our reserves. A specific bad debt reserve of up to the full amount of a particular invoice value is provided for certain problematic customer balances. A general reserve is established for all other accounts based on the age of the invoices. Delinquent account balances are written-off after management has determined that the likelihood of collection is not probable.

Our customer base has historically been composed of businesses throughout the U.S. Commencing in the 2003 fiscal year our revenues included revenues from our newly-acquired Asia-Pacific operations. For the year ended December 31, 2003 our revenues were split approximately 85% in the U.S. and 15% in Asia-Pacific. For the year ended December 31, 2004 our revenues were split approximately 87% in the U.S. and 13% in Asia-Pacific. We perform ongoing credit evaluations of our customers. As of December 31, 2004, one customer, IBM, accounted for 13% of annual revenues and 12% of accounts receivable. As of December 31, 2003, this same customer accounted for 15% of annual revenues and 11% of accounts receivable. As of December 31, 2002, this same customer accounted for 20% of annual revenues. No other single customer accounted for greater than 10% of accounts receivable or annual revenues for the periods presented.

Accounting for Income Taxes. Income taxes are accounted for under the asset and liability method Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year 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 deferred tax assets to the amounts that are expected more likely than not to be realized in the future. The assessment of whether or not a valuation allowance is required often requires significant judgment including the forecast of future taxable income and the evaluation of tax planning strategies in each of the jurisdictions in which we operate. We also account for any income tax contingencies in accordance with SFAS No. 5, "Accounting for Contingencies."

We currently have provided for a full valuation allowance against our net deferred tax assets. We have considered the positive and negative evidences affecting the assessment of a full valuation allowance. Based on the available objective evidence, management does not believe it is more likely than not that the net deferred tax assets will be realizable in the future. Should we determine that we would be able to realize our deferred tax assets in the foreseeable future, a reversed adjustment to the valuation allowance would benefit net income in the period such determination is made.

In preparing the consolidated financial statement, we are required to estimate our income taxes in each of the jurisdictions in which we operate. The determination of income taxes also involves estimating the impact of additional taxes resulting from tax examinations and uncertainties in the application of complex tax laws and regulations. Accruals for tax contingencies require management to estimate the actual outcome of any such audits and the impact of uncertainties. Actual results could vary from these estimates.

Estimated and Contingent Liabilities. Management estimates exposure on certain liabilities and contingent liabilities, such as property taxes and litigation, based on the best information available at the time of determination. With respect to real and personal property taxes, management 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 our control whereby the underlying value of the property or basis for which the tax is calculated on said property may change, such as a landlord selling the underlying property of one of our IBX center leases or a municipality changing the assessment value in a jurisdiction and, as a result, our property tax obligations may vary from period to period. Based upon the most current facts and circumstances, we make the necessary property tax accruals for each of our reporting periods. However, revisions in our estimates of the potential or actual liability could materially impact our results of operation and financial position.

For litigation claims, when management can reasonably estimate the range of loss and when an unfavorable outcome is probable, a contingent liability is recorded. For current legal proceedings, management believes that it has adequate legal defenses and that the ultimate outcome of these actions will not have a material effect on the Company's financial position, results of operations and cash flows. Furthermore, because of the uncertainties as to the outcome of these proceedings and since no range of loss can be estimated at this time, management has determined that no accrual is needed. As additional information becomes available, we will assess the potential liability related to our pending litigation and revise our estimates. Revisions in our estimates of the potential liability could materially impact our results of operation and financial position.

Accounting for Property and Equipment. Property and equipment are stated at original cost, or in the case of IBX centers that we acquire, at fair value at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, generally two to five years for non-IBX equipment and seven to twelve years for IBX equipment. Leasehold improvements and assets acquired under capital lease are amortized over the shorter of the lease term or the estimated useful life of the asset or improvement.

Should management determine that the actual useful lives of our property and equipment placed into service is less than originally anticipated, or if any of our property and equipment was deemed to have incurred an impairment, additional depreciation, or an impairment charge would be required, which would decrease net income in the period such determination was made. Conversely, should management determine that the actual useful lives of its property and equipment placed into service was greater than originally anticipated, less depreciation may be required, which would increase net income in the period such determination was made.

Impairment of Long-Lived Assets, Including Goodwill. We account for the impairment of long-lived assets in accordance with Statement of Financial Accounting Standard, or SFAS, No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", or in the case of goodwill, in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." We evaluate the carrying value of our long-lived assets, consisting primarily of our IBX centers and goodwill, whenever certain events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable or at least on an annual basis during the fourth quarter for goodwill. Such events or circumstances include, but are not limited to, a prolonged industry downturn, a significant decline in our market value or significant reductions in projected future cash flows. We currently operate in one reportable segment; however our goodwill is attributed solely to our Singapore reporting unit.

Significant judgments and assumptions are required in the forecast of future operating results used in the preparation of the estimated future cash flows, including profit margins, long-term forecasts of the amounts and timing of overall market growth and our percentage of that market, groupings of assets, discount rates and terminal growth rates. In addition, significant estimates and assumptions are required in the determination of the fair value of our tangible long-lived assets, including replacement cost, economic obsolescence, and the value that could be realized in orderly liquidation. Changes in these estimates could have a material adverse effect on the assessment of our long-lived assets, thereby requiring us to write down the assets. Our net long-lived assets as of December 31, 2004 and December 31, 2003, included property and equipment of $343.4 million and $343.6 million, respectively, and goodwill and other identifiable intangible assets of $22.3 million and $23.5 million, respectively.

Accounting for Leases and IBX acquisitions. We currently have 15 IBX centers in the U.S. and Asia-Pacific. Our current strategy has been to enter into long-term leases for our IBX centers rather than to purchase and own these properties. The majority of our IBX centers are accounted for as operating leases; however, in April 2004, we entered into a long-term lease for a 95,000 square foot data center in the Washington, D.C. metro area. This lease, which includes the leasing of all of the IBX plant and machinery equipment located in the building, is a capital lease. We account for leases in accordance with SFAS No. 13, "Accounting for Leases." Although we do not have title to any of the leased assets contained in our new Washington, D.C. metro area IBX, this lease qualified for capital lease treatment as a result of the present value of the minimum lease payments equaling or exceeding 90% of the fair value of the leased property. Our analysis of this lease required significant judgment and estimates in order to assess the fair value of the leased property and determine our incremental borrowing rate given no implicit rate was defined within the lease to allow us to calculate the present value of the minimum lease payments. In addition, as this lease contained land, building and equipment elements, we had to separate the individual elements and analyze each element separately.

While our first seven IBX centers were designed and built by us, in light of the availability of fully built-out data centers in select markets at costs significantly below the cost we would incur in building out new space, we have altered our business strategy to acquire fully built-out data centers rather than build out our own data centers in order to meet our IBX expansion needs. Each individual IBX expansion transaction, while still in the form of a long-term lease, is unique. For example, with respect to the Santa Clara IBX acquisition in December 2003, rather than enter into a long-term lease for both the building and data center plant and equipment like the Washington, D.C. metro area IBX transaction mentioned above, we leased only the building in Santa Clara and purchased the data center property and equipment located in the building. Yet, the building lease had payment terms which were at a premium to prevailing market rates for similar properties at the time of signing the lease. As a result, we recorded an unfavorable lease liability, which is being amortized into rent expense over the term of the lease. Also, given that the Santa Clara data center was an operating data center, unlike the vacant Washington, D.C. metro area data center, we were required to negotiate with various customers located in the data center and enter into new contracts with these customers. In addition, we hired a number of the employees that were already working in this data center. As a result, we recorded several intangible assets.

In summary, each individual data center expansion will require a significant amount of judgment and management estimates in order to properly address the accounting treatment.

Accounting for Restructuring Charges. We have recorded restructuring charges in three of the past five years as we modified our business strategy in light of changing economic circumstances. Most recently, in December 2004, in light of the availability of fully built-out data centers in select markets at costs significantly below those costs we would incur in building out new space, we made the decision to exit leases for excess space adjacent to one of our New York metro area IBXs, as well as space on the floor above our original Los Angeles IBX. As a result of our decision to exit these spaces, we recorded a restructuring charge totaling $17.7 million, which represents the present value of our estimated future cash payments, net of any estimated subrental income and expense, through the remainder of these lease terms, as well as the write-off of all remaining property and equipment attributed to the excess space on the floor above our Los Angeles IBX. We entered into a two-year sublease agreement for the excess space in the New York metro area and are currently evaluating opportunities related to our excess space in Los Angeles.

We account for such activities in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Under the provisions of SFAS No. 146, we had to estimate the future cash payments required to exit these two leases, net of any estimated sub-rental income and expense, through the remainder of these lease terms and then determine the present value of such future cash flows to record the appropriate restructuring charge. In future periods, we will record accretion expense to accrete our accrued restructuring liability up to an amount equal to the total estimated future cash payments necessary to complete the exit of these leases. This restructuring activity required a significant amount of judgment and management estimates in order to determine a reasonable scenario of future net cash flows required to exit these leases, as well as to determine the appropriate discount rate to calculate the present value of the future net cash flows. Should the actual lease exit costs differ from our estimates, we may be required to adjust our restructuring charges associated with these two leases, which would impact net income in the period such determination was made. In addition, in the future, circumstances may change which would require us to record additional restructuring charges, which would require similar levels of judgment and management estimates in order to determine the appropriate restructuring charge to record.

Accounting for Stock-Based Compensation. We account for stock-based compensation plans in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted under SFAS No. 123, we use the intrinsic value-based method of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for our 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 our 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." We have also adopted the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—An Amendment of SFAS No. 123."

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. Subsequent to our IPO, since we generally only grant stock options at fair value on the date of grant, we currently do not have any significant deferred stock-based compensation remaining to be amortized. As of December 31, 2004, deferred stock-based compensation on our balance sheet totaled $260,000, and for the years ended December 31, 2004, 2003 and 2002, we recognized stock-based compensation expense of $1,467,000, $2,905,000 and $6,878,000. Had the Company recognized stock-based compensation under the fair value provisions of SFAS No. 123, the Company would have recognized stock-based compensation expense of $20,756,000, $10,238,000 and $12,866,000 for the years ended December 31, 2004, 2003 and 2002, respectively, using the Black-Scholes option-pricing model with assumptions appropriate to this three-year period. For further detailed information on how we calculated these pro forma stock-based compensation charges, see Note 1 of our "Notes to Consolidated Financial Statements" in Item 8 of this Form 10-K below.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment." SFAS No. 123(R) revises SFAS No. 123, "Accounting for Stock-Based Compensation" and requires companies to expense the fair value of employee stock options and other forms of stock-based compensation, such as employee stock purchase plans and restricted stock awards. In addition, SFAS No. 123(R) supercedes Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows." Under the provisions of SFAS No. 123(R), stock-based compensation awards must meet certain criteria in order for the award to qualify for equity classification. An award that does not meet those criteria will be classified as a liability and will need to be re-measured each period. SFAS No. 123(R) retains the requirements on accounting for the income tax effects of stock-based compensation contained in SFAS no. 123; however, it changes how excess tax benefits will be presented in the statement of cash flows. SFAS No. 123(R) is effective for reporting periods beginning after June 15, 2005. Senior management is currently considering the financial accounting, income tax and internal control implications of SFAS No. 123(R). The adoption of SFAS No. 123(R) is expected to have a significant impact on our financial position and results of operations.

Results of Operations

Years Ended December 31, 2004 and 2003

Revenues. Our revenues for the years ended December 31, 2004 and 2003 were split between the following revenue classifications (dollars in thousands):

	Year ended December 31,			
	2004	%	2003	%
Recurring revenues	$154,432	94%	$109,957	93%
Non-recurring revenues:				
Installation and professional services	8,350	5%	6,221	5%
Other	889	1%	1,764	2%
	9,239	6%	7,985	7%
Total revenues	$163,671	100%	$117,942	100%

Our revenues for the years ended December 31, 2004 and 2003 were geographically comprised of the following (dollars in thousands):

	Year ended December 31,			
	2004	%	2003	%
U.S. revenues	$141,598	87%	$ 99,669	85%
Asia-Pacific revenues	22,073	13%	18,273	15%
Total revenues	$163,671	100%	$117,942	100%

We recognized revenues of $163.7 million for the year ended December 31, 2004 as compared to revenues of $117.9 million for the year ended December 31, 2003, a 39% 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 centers 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 year ended December 31, 2004 as compared to 93% in the prior year. Historically, greater than half of our customers order new services each quarter and greater than half of our new orders come 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 34% 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 950 as of December 31, 2004 versus 712 as of December 31, 2003, an increase of 33%. 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 45% as of December 31, 2004 from 35% as of December 31, 2003. Although we have substantial capacity for growth, our utilization rates vary from market to market among our 15 worldwide IBX centers. 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 and further expansion into the Silicon Valley market in December 2004, we continually review available space in our other operating markets.

U.S. Revenues. We recognized U.S. revenues of $141.6 million for the year ended December 31, 2004 as compared to $99.7 million for the year ended December 31, 2003. U.S. revenues consisted of recurring revenues of $134.3 million and $93.6 million, respectively, for the year ended December 31, 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 year ended December 31, 2004 included revenue generated from the recently acquired Santa Clara IBX center. 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. As noted above, historically, greater than half of our new orders come from our already installed customer base each period. 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 $7.3 million and $6.1 million, respectively, for the year ended December 31, 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 year ended December 31, 2004 and 2003. The $609,000 in settlement fees for the year ended

December 31, 2004 primarily represented a bankruptcy court-mandated payment from Excite@Home. The $1.2 million in settlement fees for the year ended December 31, 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 continue to expand our customer base and recognize deferred non-recurring revenue attributed to certain custom projects for the U.S. government.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of $22.1 million for the year ended December 31, 2004 as compared to $18.2 million for the year ended December 31, 2003. Asia-Pacific revenues consisted of recurring revenues of $20.2 million and $16.3 million, respectively, for the year ended December 31, 2004 and 2003, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of $1.9 million for both years ended December 31, 2004 and 2003. Asia-Pacific non-recurring revenues included $280,000 and $584,000, respectively, of contract settlement revenue for the year ended December 31, 2004 and 2003. Asia-Pacific revenues are generated from Hong Kong, Singapore, Sydney and Tokyo with Singapore representing approximately 52% and 77%, respectively, of the regional revenues for the year ended December 31, 2004 and 2003. Our Asia-Pacific colocation revenues are similar to the revenues that we generate from our U.S. IBX centers; however, our Singapore IBX center has additional managed infrastructure service revenue, such as mail service and managed platform solutions, which we do not currently offer in any other IBX center 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 was partially offset by a decrease in low-margin bandwidth revenue in Singapore of approximately $3.1 million. We expect our Asia-Pacific revenues to grow over the foreseeable future.

Cost of Revenues. Cost of revenues were $136.9 million for the year ended December 31, 2004 as compared to $128.1 million for the year ended December 31, 2003, a 7% increase. The largest cost components of our cost of revenues are depreciation, rental payments related to our leased IBX centers, 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 for 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; however, 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 currently control the amount of draw our customers take from installed circuits, means that our utility costs are expected to increase in the future, and we may not be successful in raising power revenues to a sufficient level to offset such expected increases in utility costs. We continue to monitor power draw and rates in each of our IBX centers.

U.S. Cost of Revenues. U.S. cost of revenues were $118.3 million for the year ended December 31, 2004 as compared to $107.5 million for the year ended December 31, 2003. U.S. cost of revenues included $50.1 million of depreciation expense, $35,000 of stock-based compensation expense, $355,000 of accretion expense associated with our asset retirement obligations relating to our various leaseholds and $147,000 of amortization expense associated with an intangible asset related to our Santa Clara IBX center for the year ended December 31, 2004. U.S. cost of revenues included $49.9 million of depreciation expense, $59,000 of stock-based compensation expense, $562,000 of accretion expense associated with our asset retirement obligations relating to our various leaseholds and $13,000 of amortization expense associated with an intangible asset related to our Santa Clara IBX center for the year ended December 31, 2003. Excluding depreciation, stock-based compensation, accretion expense and amortization expense, U.S. cost of revenues increased period over period to $67.7 million for the year ended December 31, 2004 from $56.9 million for the year ended December 31, 2003, a 19% increase. This increase is primarily the result of the operating costs associated with the Santa Clara IBX center acquired on December 1, 2003, as well as increasing utility costs in our IBX centers, excluding the newly-acquired Santa Clara IBX, of $4.1 million in line with increasing customer installations and revenues attributed to this customer growth and $1.2 million of higher compensation costs in our IBX centers, excluding the newly-acquired Santa Clara IBX, including general salary increases and bonuses 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 centers 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 $18.6 million for the year ended December 31, 2004 as compared to $20.6 million for the year ended December 31, 2003. Asia-Pacific cost of revenues included $3.7 million of depreciation expense and $194,000 of 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 center for the year ended December 31, 2004. Asia-Pacific cost of revenues included $4.4 million of depreciation expense for the year ended December 31, 2003. Excluding depreciation and non-cash rent expense, Asia-Pacific cost of revenues decreased period over period to $14.7 million for the year ended December 31, 2004 from $16.2 million for the year ended December 31, 2003, a 9% 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 of approximately $2.4 million, (ii) a decrease in operating costs in Singapore as a result of the asset sale of one of our two IBX centers in Singapore that occurred during the fourth quarter of 2003 of $804,000 and (iii) the renegotiation and reduction of our Hong Kong and Tokyo lease costs, resulting in rent savings of approximately $538,000. These decreases are partially offset by some cost increases in line with increasing customer installations and revenues attributed to our customer growth in this region, including increasing utility costs in our Asia-Pacific IBX centers of $649,000. Our Asia-Pacific costs of revenues are generated in Hong Kong, Singapore, Sydney and Tokyo. 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 center has a greater number of employees than any of our other IBX centers, and therefore, a greater labor cost relative to our other IBX centers 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 in this region.

Sales and Marketing. Sales and marketing expenses decreased to $18.6 million for the year ended December 31, 2004 from $19.4 million for the year ended December 31, 2003.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses increased to $13.8 million for the year ended December 31, 2004 from $12.5 million for the year ended December 31, 2003. Included in U.S. sales and marketing expenses were $119,000 and $299,000, respectively, of stock-based compensation expense and amortization expense associated with an intangible asset in connection with our Santa Clara IBX center for the years ended December 31, 2004 and 2003. Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses increased to $13.7 million for the year ended December 31, 2004 as compared to $12.2 million for the year ended December 31, 2003, a 12% 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 compensation costs of $1.1 million, primarily as a result of growth in our revenue bookings and an increase in the number of sales and marketing headcount. Going forward, we expect U.S. sales and marketing spending to increase at a measured rate but will decrease as a percent of revenues.

Asia-Pacific Sales and Marketing Expenses. Asia-Pacific sales and marketing expenses decreased to $4.8 million for the year ended December 31, 2004 as compared to $6.9 million for the year ended December 31, 2003. Included in Asia-Pacific sales and marketing expenses were $1.8 million and $2.1 million, respectively, of amortization expense associated with several intangible assets associated with our Singapore operations for the years ended December 31, 2004 and 2003. Excluding amortization expense, Asia-Pacific sales and marketing expenses decreased to $3.0 million during the year ended December 31, 2004 down from $4.8 million in the prior year, primarily as a result of headcount and overall compensation cost reductions in the Singapore region last year of approximately 14% and a decrease in overall discretionary spending due in large part to synergistic savings as a result of the combination that closed on December 31, 2002. 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 Hong Kong, Singapore, Sydney and Tokyo. We expect that our Asia-Pacific sales and marketing expenses excluding amortization of intangible assets will remain relatively flat in the foreseeable future; however, as a result of the intangible assets in Singapore having now been fully amortized during December 2004, total Asia-Pacific sales and marketing expenses will decrease further commencing in 2005.

General and Administrative. General and administrative expenses decreased to $32.5 million for the year ended December 31, 2004 from $34.3 million for the year ended December 31, 2003.

U.S. General and Administrative Expenses. U.S. general and administrative expenses decreased to $25.9 million for the year ended December 31, 2004 as compared to $28.3 million for the year ended December 31, 2003. Included in U.S. general and administrative expenses for the year ended December 31, 2004, were $1.8 million and $1.4 million of depreciation expense and stock-based compensation expense, respectively. Included in U.S. general and administrative expenses for the year ended December 31, 2003, were $5.3 million and $2.6 million of depreciation expense and stock-based compensation expense, respectively. Depreciation and stock-based compensation expense decreased period over period as certain headquarter-based assets became fully depreciated during the year, and certain stock-based compensation costs became fully amortized. Excluding depreciation and stock-based compensation expense, U.S. general and administrative expenses increased to $22.7 million for the year ended December 31, 2004, as compared to $20.4 million for the prior year, an 11% increase. This increase is primarily due to higher professional service fees and other legal-related costs and expenses of $1.8 million, including $733,000 of external costs attributed to our Sarbanes-Oxley compliance initiatives. We continue to incur additional costs related to our Sarbanes-Oxley compliance initiative and this initiative will continue to impose additional costs on Equinix as a public company, both in the form of outside professional service fees for auditors and other advisors, and internal costs related to various devoted teams throughout the organization. We also have higher overall compensation costs of $1.9 million related to annual salary merit increases and corporate bonus programs, as well as an increase in the number of new hires over the past year. In addition, during 2004, we incurred a net charge of $190,000 related to the liquidation of certain legacy subsidiaries in Europe and we do not expect this cost to recur (we initially recorded a charge of $512,000 in the third quarter, which was offset by a reduction in the charge of $322,000 in the fourth quarter as a result of a favorable settlement reached in December 2004). These increases in costs are partially offset by some savings related to the shutdown of the Pihana corporate office in Honolulu that was completed in June 2003, and the relocation of the corporate headquarter office from Mountain View to Foster City in March 2003 totaling $1.9 million. 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 $6.6 million for the year ended December 31, 2004 as compared to $6.0 million for the year ended December 31, 2003. Included in Asia-Pacific general and administrative expenses were $366,000 and $497,000, respectively, of depreciation expense for the year ended December 31, 2004 and 2003. Excluding depreciation, Asia-Pacific general and administrative expenses increased to $6.2 million for the year ended December 31, 2004, as compared to $5.5 million for the prior year, a 13% increase. This increase is primarily related to an increase in professional service fees of $141,000 related to our Sarbanes-Oxley compliance initiative in Singapore and higher compensation costs of $450,000 as a result of annual merit increases and corporate bonus programs. 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 Hong Kong, Singapore, Sydney and Tokyo. 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 Hong Kong and Tokyo. We expect our Asia-Pacific general and administrative expenses will remain relatively flat or experience only moderate growth for the foreseeable future.

Restructuring Charges. During the year ended December 31, 2004, we recorded restructuring charges of $17.7 million. In light of the availability of fully built-out data centers in select markets at costs significantly below those costs we would incur in building out new space, we made the decision in December 2004 to exit leases for excess space adjacent to one of our New York metro area IBXs, as well as space on the floor above our original Los Angeles IBX. The restructuring charges consisted of (i) a $13.9 million charge representing the present value of our estimated future cash payments, net of any estimated subrental income and expense, through the remainder of these lease terms; and (ii) a write-off of property and equipment of $3.8 million, representing the write-off of all remaining property and equipment attributed to the excess space on the floor above our Los Angeles IBX. We entered into a two-year sublease agreement for the excess space in the New York metro area and are currently evaluating opportunities related to our excess space in Los Angeles. We expect that as a result of these restructuring charges, we will realize annual savings in cost of revenues commencing in 2005 of approximately $1.8 million. As of December 31, 2004, we had total accrued restructuring charges of $14.8 million recorded as liabilities on our balance sheet related to these excess lease spaces. For further detailed information on our restructuring charges, see Note 17 of our “Notes to Consolidated Financial Statements” in Item 8 of this Form 10-K below. We did not incur any restructuring charges during the year ended December 31, 2003.

Interest Income. Interest income increased to $1.3 million from $296,000 for the years ended December 31, 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, as well as to increased yields on those balances.

Interest Expense. Interest expense decreased to $11.5 million from $20.5 million for the years ended December 31, 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 was significantly reduced.

Absent additional financings, we expect that our interest expense will continue to decrease in 2005 as a result of the conversion in January 2005 of the STT convertible secured notes, bearing non-cash interest at 14%. This interest savings, however, will be partially offset by additional interest expense attributed to our $35.3 million capital lease, which bears interest at 8.5%, related to our new data center in the Washington D.C. metro area.

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, which contained a beneficial conversion feature, 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 year ended December 31, 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 year ended December 31, 2004, we recorded $153,000 of income tax expense, primarily representing income taxes related to our international subsidiaries. We have previously not incurred any significant income tax expense since inception and we do not expect to incur any significant income tax expense during 2005 and 2006.

Years Ended December 31, 2003 and 2002

Revenues. Our revenues for the year ended December 31, 2003 and 2002 were split between the following revenue classifications (dollars in thousands):

	Year ended December 31,			
	2003	%	2002	%
Recurring revenues	$109,957	93%	$65,319	85%
Non-recurring revenues:				
Installation and professional services	6,221	5%	4,056	5%
Other	1,764	2%	7,813	10%
	7,985	7%	11,869	15%
Total revenues	$117,942	100%	$77,188	100%

Our revenues for the year ended December 31, 2003 and 2002 were geographically comprised of the following (dollars in thousands):

	Year ended December 31,			
	2003	%	2002	%
U.S. revenues	$ 99,669	85%	$77,188	100%
Asia-Pacific revenues	18,273	15%	—	0%
Total revenues	$117,942	100%	$77,188	100%

We recognized revenues of $117.9 million for the year ended December 31, 2003, as compared to revenues of $77.2 million for the year ended December 31, 2002, a 53% increase. Included in revenues for the year ended December 31, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $23.4 million. 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 as recurring as once a customer has been installed in one of our IBX centers 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 93% of our total revenues for the year ended December 31, 2003, an increase from the 85% level in the prior year. To review our revenue recognition policies for our recurring revenue streams, refer to "Critical Accounting Policies and Estimates" above.

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 53% year over year, 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 year. Other non-recurring revenues include equipment resales and customer settlements. This non-recurring revenue line decreased significantly from the prior year as (i) we are no longer pursuing equipment resales due a change in product strategy and (ii) the number of customer right-sizings and settlements decreased substantially during 2003. To review our revenue recognition policies for our non-recurring revenue streams, refer to "Critical Accounting Policies and Estimates" above.

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) percentage utilization. Our customer count increased to 712 as of December 31, 2003 versus 568 as of December 31, 2002, an increase of 25%. Our utilization rate represents the percentage of our cabinet space billing versus total cabinet space available. Our utilization rate as of December 31, 2003 was 37% versus 29% as of December 31, 2002, an increase of 28%, including our Asia-Pacific operations for both periods. Although we have substantial capacity for growth, our utilization rates vary from market to market among our 15 worldwide IBX centers. 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 acquisition of the Sprint's Santa Clara property in December 2003, we will continue to review our available space in our other operating markets.

U.S. Revenues. We recognized U.S. revenues of $99.7 million for the year ended December 31, 2003 as compared to $77.2 million for the year ended December 31, 2002. U.S. revenues consisted of recurring revenues of $93.6 million and $65.3 million, respectively, for the year ended December 31, 2003 and 2002, 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 year ended December 31, 2003 includes $5.1 million of revenues generated from the two U.S. IBX centers acquired from Pihana on December 31, 2002 located in Los Angeles and Honolulu. Excluding revenues from these acquired U.S. IBX centers, the period over period growth in recurring revenues of 60% was primarily the result of an increase in orders from both our existing customers and new customer growth acquired during the year as reflected in the growth in our customer count and utilization rate as discussed above. In addition, consistent with the growth in our customer base, our interconnection revenues have grown as our customers continue to expand their interconnection activity with each other. As of December 31, 2003, U.S. interconnection revenue represented 21% of total U.S. recurring revenue as compared to 9% in the prior year. 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 $6.1 million and $11.9 million, respectively, for the year ended December 31, 2003 and 2002. Non-recurring revenues are primarily related to the recognized portion of deferred installation, professional services, settlement fees associated with certain contract terminations and equipment resales. The period over period decrease in U.S. non-recurring revenues was primarily the result of $2.9 million of equipment resale revenue and $4.9 million in settlement fees from customers to terminate their contract recognized during the year ended December 31, 2002. There were no equipment resale transactions during the year ended December 31, 2003; however, we received $1.2 million of settlement fees during the year ended December 31, 2003, primarily as a result of bankruptcy related 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 remain relatively flat or grow moderately in the foreseeable future.

Asia-Pacific Revenues. As a result of the combination that closed on December 31, 2002, which resulted in the acquisition of four Asia-Pacific IBX centers, we recognized $18.2 million of revenues in Asia-Pacific during the year ended December 31, 2003. Prior to the combination we generated no revenues from outside of the United States. Asia-Pacific revenues consisted of recurring revenues of $16.3 million, primarily from colocation and managed infrastructure services, and non-recurring revenues of $1.9 million for the year ended December 31, 2003, which includes settlement fees of $584,000, primarily from one customer that terminated its contract. Asia-Pacific revenues are generated from Singapore, Tokyo, Hong Kong and Sydney with Singapore representing approximately 77% of the regional revenues. Our Asia-Pacific revenues are similar to the revenues that we generate from our U.S. IBX centers; however, our Singapore IBX center has additional managed infrastructure service revenue, such as mail service and managed platform solutions, which we do not currently offer in any other IBX center location. We expect our Asia-Pacific revenues to decrease slightly during the first half of 2004 as we expect some churn on our low-margin bandwidth revenue in Singapore. However, excluding this expected drop in bandwidth revenue, we would otherwise expect our Asia-Pacific revenues to begin to grow over the course of the year.

Cost of Revenues. Cost of revenues were $128.1 million for the year ended December 31, 2003 versus $104.1 million for the year ended December 31, 2002, a 23% increase. Included in cost of revenues for the year ended December 31, 2003 are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, a cumulative total of $24.7 million. The largest cost components of our cost of revenues are depreciation, rental payments related to our leased IBX centers, utility costs including bandwidth, IBX employees' salaries and benefits, consumable 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 consumable 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 in the 70 – 90% range.

U.S. Cost of Revenues. U.S. cost of revenues were $107.5 million for the year ended December 31, 2003 as compared to $104.1 million for the year ended December 31, 2002, a 3.2% increase. U.S. cost of revenues included $49.9 million and $47.8 million, respectively, of depreciation expense and $59,000 and $266,000, respectively, of stock-based compensation expense for the year ended December 31, 2003 and 2002. During the year ended December 31, 2003, we also recorded $562,000 of accretion expense associated with our asset retirement obligation relating to our various leaseholds, which consist primarily of our IBX center operating leases, as required under FASB No. 143 that was adopted in 2003. Furthermore, U.S. cost of revenues included the costs associated with the $2.9 million of equipment resale revenue that we recorded for the year ended December 31, 2002, which was approximately $2.8 million. We recorded no equipment resale revenue for the year ended December 31, 2003. Included in the U.S. cost of revenues for the year ended December 31, 2003, were the operating costs associated with (i) the Los Angeles and Honolulu IBX centers acquired from Pihana in the combination on December 31, 2002, which totaled $4.1 million ($3.5 million excluding depreciation) and (ii) the Santa Clara IBX center acquired on December 1, 2003, which totaled $597,000. Excluding depreciation, stock-based compensation, accretion expense, the costs of equipment resales and the costs of operating the acquired U.S. IBX centers, U.S. cash cost of revenues decreased period over period to $52.8 million for the year ended December 31, 2003 from $53.1 million for the year ended December 31, 2002, a 1% decrease. This decrease is primarily the result of reduced costs associated with the San Jose ground lease of $3.6 million as a result of the option that we exercised in September 2002 to return approximately one-half of the land commencing in October 2002 (refer to 'Restructuring Charges" below); however, this decrease is partially offset by an increase in operating costs associated with certain of our IBX centers as a result of (a) higher property taxes for certain IBX centers and (b) increasing utility costs in line with increasing customer installations and revenues attributed to this customer growth. We continue to anticipate that our cost of revenues will increase in the foreseeable future as the occupancy levels in our U.S. IBX centers increase, however as a percent of revenues, we anticipate our cost of revenues will continue to decline.

Asia-Pacific Cost of Revenues. As a result of the combination that closed on December 31, 2002, which resulted in the acquisition of four Asia-Pacific IBX centers, we incurred an additional $20.6 million in cost of revenues from our Asia-Pacific IBX center operations during the year ended December 31, 2003. Included in this number is $4.4 million of depreciation expense. Excluding depreciation expense, our acquired cost of revenues totaled $16.2 million for Asia-Pacific. Our Asia-Pacific cost of revenues consist of the same type of costs that we incur in our U.S. IBX center operations, namely rental payments for our leased IBX centers, utility costs, site employees' salaries and benefits, consumable supplies and equipment and security services. 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 center has a greater number of employees than any of our other IBX centers, and therefore, a greater labor cost relative to our other IBX centers in the United States or other Asia-Pacific locations. We anticipate that our Asia-Pacific cost of revenues will experience a small decrease during the first half of 2004 as a result of the expected drop in low-margin bandwidth revenue as discussed above. However, excluding this, we would otherwise expect to see moderate growth in Asia-Pacific cost of revenues in the foreseeable future consistent with our anticipated growth in revenues over the course of the year.

Sales and Marketing. Sales and marketing expenses increased to $19.5 million for the year ended December 31, 2003 from $15.2 million for the year ended December 31, 2002. Included in sales and marketing expenses for the year ended December 31, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $6.9 million.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses decreased to $12.5 million for the year ended December 31, 2003 as compared to $15.2 million for the year ended December 31, 2002. Included in U.S. sales and marketing expenses were $294,000 and $952,000, respectively, of stock-based compensation expense for the year ended December 31, 2003 and 2002. During the year ended December 31, 2002, we recorded $2.3 million in bad debt expense. The amount of bad debt expense that we recorded in the prior period, which was significantly larger than what we typically incur, was primarily the result of write-offs or full reserves of aged receivables associated with several customers, including Teleglobe, which had filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code last year. Excluding stock-based compensation and bad debt expense, U.S. sales and marketing expenses increased to $12.4 million from $12.0 million, respectively, for the year ended December 31, 2003 and 2002, a 3% 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. Excluding stock-based compensation and bad debt expense, the nominal increase in sales and marketing expenses year over year is primarily related to the incremental sales and marketing efforts associated with the two U.S. IBX centers acquired in the combination as of December 31, 2002 in Los Angeles and Honolulu, as well as an overall increase in sales compensation due to increased revenues. We expect to see a nominal increase in sales and marketing spending in the future, although as a percent of revenues, we anticipate a decline in sales and marketing spending.

Asia-Pacific Sales and Marketing Expenses. As a result of the combination that closed on December 31, 2002, we incurred an additional $6.9 million of sales and marketing expenses, comprised of $4.8 million in cash sales and marketing expenses from our Asia-Pacific operations during the year ended December 31, 2003, and $2.1 million of amortization expense. Our Asia-Pacific sales and marketing expenses consist of the same type of costs that we incur in our U.S. operations, namely compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. Our Asia-Pacific sales and marketing expenses are generated in Singapore, Tokyo, Hong Kong and Sydney. We expect that our Asia-Pacific sales and marketing expenses will remain relatively flat in the foreseeable future. As a result of the combination that closed on December 31, 2002, we acquired several intangible assets that we amortize, namely the use of a trade-name and certain customer contracts in Singapore valued at approximately $300,000 and $3.6 million, respectively. The trade-name intangible asset was being amortized over one year ending December 31, 2003 and the customer contract intangible asset is being amortized over two years, ending December 31, 2004. As a result, we incurred a total of $2.1 million of amortization expense during the year ended December 31, 2003.

General and Administrative. General and administrative expenses increased to $34.3 million for the year ended December 31, 2003 from $30.7 million for the year ended December 31, 2002. Included in general and administrative expenses for the year ended December 31, 2003, are the results of the two companies that we acquired on December 31, 2002, i-STT and Pihana, totaling $7.5 million.

U.S. General and Administrative Expenses. U.S. general and administrative expenses decreased to $28.3 million for the year ended December 31, 2003 as compared to $30.7 million for the year ended December 31, 2002. Included in U.S. general and administrative expenses were $5.3 million and $6.2 million, respectively, of depreciation expense and $2.6 million and $5.7 million, respectively, of stock-based compensation expense for the year ended December 31, 2003 and 2002. In addition, U.S. general and administrative expenses for the year ended December 31, 2003, included $1.5 million of costs associated with a corporate headquarter office acquired from Pihana on December 31, 2002 located in Honolulu. This office was closed as of June 30, 2003. Excluding depreciation, stock-based compensation expense and the costs of the acquired Honolulu office, U.S. general and administrative expenses remained relatively flat at $18.9 million for the year ended December 31, 2003, as compared to $18.8 million for the year ended December 31, 2002. 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. We expect to see a nominal increase in general and administrative spending in the future, although as a percent of revenues, we anticipate a decline in general and administrative spending.

Asia-Pacific General and Administrative Expenses. As a result of the combination that closed on December 31, 2002, we incurred an additional $6.0 million in general and administrative expenses from our newly-acquired Asia-Pacific operations. Our Asia-Pacific general and administrative expenses, which included $497,000 of depreciation expense, consist of the same type of costs that we incur in our U.S. operations, namely salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses. Our Asia-Pacific general and administrative expenses are generated in Singapore, Tokyo, Hong Kong and Sydney. Our Asia-Pacific headquarter office is located in Singapore. Most of the corporate overhead support functions that we have in the U.S. also reside in our Singapore office in order to support our Asia-Pacific operations. In addition, we have separate corporate office locations in Tokyo and Hong Kong. We expect that our Asia-Pacific general and administrative expenses will remain relatively flat or experience only moderate growth for the foreseeable future.

Restructuring Charges. We did not incur any restructuring charges during the year ended December 31, 2003. During the year ended December 31, 2002, we recorded restructuring charges of $28.9 million. The restructuring charges consisted of (a) a $5.0 million option fee paid in May 2002 related to the amendment of our approximately 80 acre ground lease in San Jose, California from which we subsequently elected to exercise the option to permanently exclude 40 acres commencing October 1, 2002; (b) a partial write-off of two letters of credit totaling $19.0 million associated with the exercise in September 2002 of our option to permanently terminate approximately one-half of our lease obligations under the San Jose ground lease (c) a write-off of property and equipment of $2.6 million, primarily leasehold improvements and some equipment, located in two unnecessary U.S. IBX expansion and headquarter office space operating leaseholds we had decided to exit and that do not currently provide any ongoing benefit and (d) write-offs or accruals of certain U.S. or European exit costs and severance charges.

Interest Income. Interest income decreased to $296,000 from $998,000 for the year ended December 31, 2003 and 2002, respectively. Interest income decreased due to lower average cash, cash equivalent and short-term investment balances held in interest-bearing accounts and lower interest rates received on those invested balances.

Interest Expense. Interest expense decreased to $20.5 million from $35.1 million for the year ended December 31, 2003 and 2002, respectively. The significant decrease in interest expense was primarily attributable to the retirement of $169.5 million of our 13% senior notes during 2002. In addition, we reduced the interest expense attributed to our credit facility as a result of a reduction in the principal balance outstanding and a reduction in the interest rates. However, these interest expense savings were partially offset by the approximately $7.3 million of non-cash interest expense associated with the $30.0 million 14% convertible secured note issued on December 31, 2002 as a result of the financing, and the $10.0 million 10% convertible secured notes issued on June 5, 2003 as a result of the Crosslink financing. We recorded a substantial debt discount equal to the $10.0 million of principal in connection with the Crosslink financing, primarily as a result of the beneficial conversion feature associated with these convertible secured notes, which is being amortized to interest expense over the term of the Crosslink financing. This is a primary contributor to our increased non-cash interest expense from the prior period.

Gain on Debt Extinguishment. During the year ended December 31, 2002, we retired approximately $169.5 million of senior notes in exchange for approximately 2.4 million shares of common stock and $17.7 million of cash. As a result, we recognized a $114.2 million net gain on debt extinguishment during 2002, after deducting transaction costs, interest waived and allocation of unamortized debt issuance costs and debt discount. Although we made payments on our various debt facilities during 2003, we extinguished no senior notes or other debt during the year ended December 31, 2003.

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

Liquidity and Capital Resources

Since inception, we have financed our operations and capital requirements primarily through the issuance of various debt and equity instruments, for aggregate gross proceeds of $1.1 billion. As of December 31, 2004, our total indebtedness was comprised of non-convertible debt totaling $35.2 million from our Washington D.C. metro area IBX capital lease and convertible debt totaling $124.7 million from our convertible secured notes and convertible subordinated debentures 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 primarily to repay all amounts outstanding under our previously outstanding non-convertible debt as outlined below. 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 December 31, 2004, our principal source of liquidity was our $108.1 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 our currently identified business objectives. In addition, in December 2004, as a result of the Silicon Valley Bank credit line, as further described below, we have $21.8 million of additional liquidity available to us in the event we need additional cash to pursue attractive strategic opportunities that may become available in the future.

While we had generated negative operating cashflow in each annual period since inception through 2003, 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 related to our existing IBX centers. 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 have generated cash from our operations during 2004 and expect this generation of operating cash flows to continue in 2005 and beyond and to be in an amount sufficient to meet our cash requirements to fund our capital expenditures, debt service and corporate overhead requirements (excluding the purchase, sale and maturities of our short-term and long-term investments). However, given our limited operating history, we may not achieve our desired levels of profitability in the future. See "Other Factors Affecting Operating Results."

Uses of Cash

Net cash provided by our operating activities was $36.9 million for the year ended December 31, 2004. Net cash used in our operating activities was $17.3 million and $27.5 million for the years ended December 31, 2003 and 2002, respectively. As described above, we have now reached and are moving beyond the inflection point in our business model whereby our revenues are 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 years ended December 31, 2003 and 2002 related to the liquidation of accrued obligations, such as accrued restructuring activities, including merger and financing costs during 2003. In addition, we continue to experience strong collections of our accounts receivables. As described above, we expect that we will continue to generate cash from our operating activities throughout 2005 and beyond.

Net cash used in investing activities was $56.9 million, $49.2 million and $7.5 million for the years ended December 31, 2004, 2003 and 2002, respectively. Net cash used in investing activities during the year ended December 31, 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 centers in the Silicon Valley and Washington DC metro areas to Equinix standards and to support our growing customer base. Net cash used in investing activities during the year ended December 31, 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. Net cash used in investing activities during the year ended December 31, 2002 was primarily attributable to the liquidation of accrued construction costs for the New York metropolitan area IBX hub, which opened during the first quarter of 2002, partially offset by the sale of short-term investments. For 2005, 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 $19.2 million, $52.3 million and $16.9 million for the years ended December 31, 2004, 2003 and 2002, respectively. Net cash generated by financing activities for the year ended December 31, 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 and $7.3 million in proceeds from our various employee stock plans. Net cash provided by financing activities during the year ended December 31, 2003 was primarily the result of the $104.4 million in net proceeds of our follow-on equity offering and $10.0 million in proceeds from the Crosslink financing, partially offset by $57.2 million in payments on our credit facility and $6.1 million in payments on our various other debt facilities and capital lease obligations. Net cash generated by financing activities during the year ended December 31, 2002 was primarily attributable to the cash acquired in the acquisitions of i-STT and Pihana and proceeds from our $30.0 million convertible secured notes, offset by payments of $17.7 million used to retire approximately $169.5 million of our senior notes and the costs associated with the exchange of the senior notes and repayments under our credit facility of $13.5 million.

Debt Obligations—Non-Convertible Debt

As of December 31, 2004, our only indebtedness from non-convertible debt related to a capital lease associated with our new IBX center in the Washington D.C. metro area totaling $35.2 million. In addition, in

December 2004, as a result of the Silicon Valley Bank credit line, as further described below, we have $21.8 million of additional liquidity available to us in the event we need additional cash to pursue attractive strategic opportunities that may become available in the future. 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.

Washington D.C. Metro Area IBX Capital Lease. In April 2004, we entered into a long-term lease for 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. This lease, which includes the leasing of all of the IBX plant and machinery equipment located in the building, is a capital lease. We took possession of this property during the fourth quarter of 2004, and as a result, recorded property and equipment assets, as well as a capital lease obligation, totaling $35.3 million. Payments under this lease, which commenced in November 2004, will be made monthly through 2019 at an effective interest rate of 8.50% per annum. As of December 31, 2004, principal of $35.2 remained outstanding.

Silicon Valley Bank Credit Line. In December 2004, we entered into a $25.0 million line of credit arrangement with Silicon Valley Bank that matures in December 2006. This facility is a $25.0 million revolving line of credit which, at our election, up to $10.0 million may be converted into a 24-month term loan, repayable in eight quarterly installments. We refer to this transaction as the "Silicon Valley Bank credit line." Borrowings under the Silicon Valley Bank credit line bear interest at floating interest rates, plus applicable margins, based either on the prime rate or LIBOR. As of December 31, 2004, the Silicon Valley Bank credit line had an interest rate of 4.40% per annum; however, through the date of filing of this report on Form 10-K, we have not drawn down any amounts from this line of credit. The Silicon Valley Bank credit line also features sublimits, which allows us to issue letters of credit, enter into foreign exchange forward contracts and make advances for cash management services. Our utilization under any of these sublimits would have the effect of reducing the amount available for borrowing under the Silicon Valley Bank credit line during the period that such sublimits remain utilized and outstanding. As of December 31, 2004, we had utilized $3.2 million under the letters of credit sublimit with the issuance of three letters of credit and, as a result, reduced the amount of borrowings available to us from $25.0 million to $21.8 million. The Silicon Valley Bank credit line is secured by substantially all of our domestic assets and contains numerous covenants, including financial covenants, such as maintaining minimum cash balance levels and meeting minimum quarterly revenue targets, which we are in full compliance of. The Silicon Valley Bank credit line provides us with additional liquidity and financing flexibility in the future.

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 December 31, 2004, we have issued $8.5 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, 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 had the option of converting the convertible secured notes beginning in 2005. In January 2005, we exercised this right and converted 95% of the outstanding convertible secured notes and accrued and unpaid interest, held by STT Communications, into 4.1 million shares of our preferred stock, which was subsequently converted into 4.1 million shares of our common stock in February 2005. The remaining 5% of the convertible secured notes, totaling $1.9 million, that remain outstanding will be eligible for conversion by Equinix in early 2006 into approximately 250,000 shares (including anticipated interest expense to be incurred during 2005 and early 2006), provided that the closing price of our common stock exceeds $32.12 per share for thirty consecutive trading days. We refer to this transaction as the "STT convertible secured notes conversion."

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, which contained a beneficial conversion feature. 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 due to the beneficial conversion feature.

As of December 31, 2004, a total of $38.5 million of convertible secured notes were outstanding, which is presented, net of unamortized discount, on our balance sheet at $35.8 million. In addition, as of December 31, 2004, we had debt issuance costs related to our convertible secured notes of $336,000 remaining to be amortized. All interest expense associated with our convertible secured notes, including the amortization of the unamortized discount of $2.7 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. In January 2005, as a result of the STT convertible secured note conversion, 95% of the outstanding convertible secured notes, plus accrued interest and unamortized discount and debt issuance costs, was converted into stockholders' equity.

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 primarily 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. 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 is payable in cash. Our convertible subordinated debentures are 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 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, Lease and Other Contractual Commitments

We lease our IBX centers and certain equipment under non-cancelable lease agreements expiring through 2020. The following represents our debt maturities, lease and other commitments as of December 31, 2004 (in thousands):

	Convertible secured notes (1)	Convertible subordinated debentures	Capital Lease	Operating Leases Covered Under Accrued Restructuring Charges	Operating Leases (2)	Other Contractual Commitments (2)	Total
2005	$ —	$ —	$ 3,642	$ 2,433	$ 28,638	$ 1,674	$ 36,387
2006	—	—	3,733	2,766	30,689	—	37,188
2007	38,466	—	3,826	3,216	30,410	—	75,918
2008	—	—	3,922	3,262	29,856	—	37,040
2009	—	86,250	4,020	3,309	29,715	—	123,294
2010 and thereafter	—	—	45,287	19,964	177,945	—	243,196
	38,466	86,250	64,430	34,950	327,253	1,674	553,023
Less amount representing interest	—	—	(29,226)	—	—	—	(29,226)
Less amount representing estimated subrental income and expense	—	—	—	(15,978)	—	—	(15,978)
Less amount representing accretion	—	—	—	(4,222)	—	—	(4,222)
	$ 38,466	$ 86,250	$ 35,204	$ 14,750	$ 327,253	$ 1,674	$ 503,597

(1) In January 2005, 95% of our outstanding convertible secured notes were converted into stockholders' equity.
(2) Represents off-balance sheet arrangements.

In December 2004, we entered into a long-term lease for a 103,000 square foot data center in the Silicon Valley area. This data center is close to our existing IBX centers in the Silicon Valley, and expands the global Equinix footprint to approximately 1.4 million square feet. This new lease will add an additional $34.2 million in cumulative monthly lease payments through 2020, commencing February 2005. We will take possession of this property during the first quarter of 2005. We currently intend to place customers in this data center in 2005. Concurrent with the signing of this lease, we also agreed to purchase the assets located in this data center and entered into an agreement to interconnect all three of our Silicon Valley IBX centers to each other through redundant dark fiber links. This will allow our customers to have access to all the networks and customers in each of the three Silicon Valley IBXs. 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 operating lease costs presented above.

As of December 31, 2004, as a result of the Silicon Valley IBX acquisition described above and the associated agreements, we are obligated to pay $924,000 for the assets located in the data center, which we expect to pay in March 2005 when the Company takes possession of this property. In addition, as of December 31, 2004, we are also obligated to pay $750,000 upon completion of the installation of the redundant dark fiber links currently being installed, which needs to be paid no later than May 1, 2005. These obligations are reflected in the table above under other contractual commitments.

In connection with three of our IBX operating leases, we have entered into three irrevocable letters of credit with Silicon Valley Bank. These letters of credit were provided in lieu of cash deposits under the letters of credit sublimit provision in connection with the Silicon Valley Bank credit line. The letters of credit total $3.2 million, are collateralized by the Silicon Valley Bank credit line and automatically renew in successive one-year periods until the final lease expiration dates. If the landlords for any of these three IBX operating leases decide to draw down on these letters of credit, we will be required to fund these letters of credit. This contingent commitment is not reflected in the table above.

In December 2004, in light of the availability of fully built-out data centers in select markets at costs significantly below those costs we would incur in building out new space, we made the decision to exit leases for excess space adjacent to one of our New York metro area IBXs, as well as space on the floor above our original Los Angeles IBX. As a result of our decision to exit these spaces, we recorded a restructuring charge totaling $17.7 million, which represents the present value of our estimated future cash payments, net of any estimated subrental income and expense, through the remainder of these lease terms, as well as the write-off of all remaining property and equipment attributed to the partial build-out of the excess space on the floor above our Los Angeles IBX. We have already sublet the excess space in the New York metro area and are currently evaluating opportunities to either sublet the excess space in Los Angeles or terminate this lease altogether. As of December 31, 2004, we had a total restructuring charge accrual of $14.8 million associated with these two leases for excess space on our balance sheet. These obligations are reflected in the table above under operating leases covered under accrued restructuring charges.

As a result of our recent IBX expansions in the Silicon Valley and Washington D.C. metro areas, we anticipate that we will incur capital expenditures in excess of what we would otherwise spend had we not acquired these new IBXs. Although we are not contractually obligated to do so, we expect to incur additional capital expenditures in these two markets during 2005 of approximately $10.0 to $12.0 million in order to bring these new IBXs up to Equinix standards. This non-contractual capital expenditure spending is not reflected in the table 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 expansions in the Washington, D.C. and Silicon Valley metro area markets. However, we will continue to be very selective with any similar opportunity. As was the case with these 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 recent expansions, the right combination of these factors may be quite attractive for us. Dependent on the particular deal, these acquisitions may require upfront cash payments and additional capital expenditures in order to bring these centers up to Equinix standards.

RISK FACTORS

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 incurred substantial losses in the past and may continue to incur additional losses in the future.

Although Equinix has generated cash from operations since the quarter ended September 30, 2003, for the years ended December 31, 2004 and 2003, the company incurred net losses of $68.6 million and $84.2 million, respectively. In light of new rules regarding the expensing of stock-based compensation, we do not expect to become net income positive for at least one to two more years. In addition, if we acquire or build-out additional IBX centers, we will have additional depreciation and amortization expenses that will negatively impact our ability to achieve and sustain positive net income. There can be no guarantee that we will become profitable and the 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 centers;
- demand for space and services at our IBX centers;
- 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 timing and magnitude of operating expenses, including taxes, 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 $26.50 and $46.39 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. In January 2005, 95% of STT Communications' outstanding convertible secured notes and associated interest were converted into shares of our non-voting Series A-1 preferred stock. In February 2005, STT Communications elected to convert all of the shares of Series A-1 preferred stock into 4.1 million shares of our common stock. Sales of a substantial number of shares of our common stock within a narrow period of time could cause our stock price to fall. Announcements may also 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 a significant portion 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.

In the course of our ongoing evaluation of our internal controls over financing reporting, we have identified areas requiring improvement and are in the process of designing enhanced processes and controls to address the issues identified during our evaluation. We cannot be certain that our efforts will be effective or sufficient for us, or our auditors, to issue unqualified reports in the future.

It may be difficult to design and implement effective financial controls for combined operations and differences in existing controls of any acquired businesses may result in weaknesses that require remediation when the financial controls and reporting are combined.

Our ability to manage our operations and growth will require us to improve our operational, financial and management controls, as well as our internal reporting systems and controls. We may not be able to implement improvements to our internal reporting systems and controls in an efficient and timely manner and may discover deficiencies in existing systems and controls.

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 year ended December 31, 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.

To date, the neutrality of the Equinix IBX centers and the variety of networks available to our customers has often been a competitive advantage for us. In certain of our acquired IBX centers, 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; however, the majority of revenues and costs in our international operations are denominated in Singapore dollars, Japanese yen and Australia and Hong Kong 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 centers 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 have acquired several new IBX centers recently, and 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 additional capital expenditures may be required;
- the possibility that senior management may be required to spend considerable time negotiating agreements and integrating acquired businesses;

- the possible loss or reduction in value of acquired businesses;
- the possibility that our customers may not accept either the existing equipment infrastructure or the “look-and-feel” of a new or different IBX center;
- the possibility that carriers may find it cost-prohibitive or impractical to bring fiber and networks into a new IBX center; and
- the possibility of preexisting undisclosed liabilities regarding the property or IBX center, including but not limited to environmental or asbestos liability, of which our insurance may be insufficient or for which we may be unable to secure insurance coverage;

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 December 31, 2004, STT Communications owned approximately 23% 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. In January 2005, 95% of STT Communications’ outstanding convertible secured notes and associated interest were converted into shares of our non-voting Series A-1 preferred stock. In February 2005, STT Communications elected to convert all of the shares of Series A-1 preferred stock into 4.1 million shares of our common stock, which caused STT Communications to own approximately 36% of our outstanding voting stock. As a result, STT Communications is 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 centers 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 generally 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 centers are subject to state and local real property taxes. The state and local real property taxes on our IBX centers 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, entities affiliated with STT Communications make investments in various companies; they have 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, 2003 and 2004 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 follow-on equity offering in late 2003. 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. 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. In January 2005, 95% of STT Communications' outstanding convertible secured notes and associated interest were converted into shares of our non-voting Series A-1 preferred stock. In February 2005, STT Communications elected to convert all of the shares of Series A-1 preferred stock into 4.1 million shares of our common stock. The shares of common stock are eligible for resale pursuant to a registration statement that became effective on December 22, 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 December 31, 2004, STT Communications held 2,970,414 shares of our common stock and held securities convertible into 7,025,534 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, stock 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 centers; 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 centers 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 centers. Carriers will likely evaluate the revenue opportunity of an IBX center 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 centers or that once a carrier has decided to provide Internet connectivity to our IBX centers that it will continue to do so for any period of time.

The construction required to connect multiple carrier facilities to our IBX centers 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 centers 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 or announcing consolidations. As a result, some carriers may be forced to downsize or terminate connectivity within our IBX centers.

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 centers. We have recently acquired long-term leases to three IBX centers not built by us. If these recently leased IBX centers 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 centers, 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 centers, 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 centers 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 years ended December 31, 2004, 2003 and 2002, IBM accounted for 13%, 15% and 20%, respectively, 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 centers. 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 centers 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 centers. 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 centers. 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 outsourcing 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 centers.

Our success in retaining key employees and discouraging them from moving to a competitor is an important factor in our ability to remain competitive. As is common in our industry, our employees are typically compensated through grants of stock options in addition to their regular salaries. We occasionally grant new stock options to employees as an incentive to remain with the company. To the extent we are unable to adequately maintain these stock option incentives and should employees decide to leave the company, this may be disruptive to our business and may adversely affect our business, financial condition and results of operations.

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 centers 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 centers. 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 centers 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 centers until they are confident that the IBX center 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 centers will materialize. If the market for our IBX centers 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 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.

Industry consolidation may have a negative impact on our business model.

The telecommunications industry is currently undergoing a consolidation. As customers combine businesses, they may require less colocation space, and there may be fewer networks available to choose from. Given the competitive and evolving nature of this industry, further consolidation of our customers and/or our competitors may present a risk to our network neutral business model and have a negative impact on our revenues.

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 centers. We may not have adequate property and liability insurance to cover such catastrophic events or attacks.

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 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 EITF Issue 03-1-1, which deferred the effective date for the measurement and recognition guidance clarified in EITF Issue 03-1 indefinitely; however, the disclosure requirements remain effective for fiscal years ending after June 15, 2004. While the effective date for certain elements of EITF Issue 03-1 have been deferred, the adoption of EITF Issue 03-1 when finalized in its current form is not expected to have a material impact on our financial position, results of operations or cash flows.

In November 2004, the FASB approved EITF Issue 04-8 "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share." EITF Issue 04-8 addresses when contingently convertible instruments should be included in diluted earnings per share. For purposes of EITF Issue 04-8, contingently convertible instruments are instruments that have embedded conversion features that are contingently convertible or exercisable based on (a) a market price trigger or (b) multiple contingencies if one of the contingencies is a market price trigger and the instrument can be converted or share settled based on meeting the specified market condition. EITF Issue 04-8 is effective for reporting periods beginning after December 15, 2004 and should be applied by restating previously reported earnings per share data. We adopted the provisions of EITF Issue 04-8 during the fourth quarter of 2004. The adoption of EITF Issue 04-8 did not have a material effect on our diluted net loss per share data at this time.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment." SFAS No. 123(R) revises SFAS No. 123, "Accounting for Stock-Based Compensation" and requires companies to expense the fair value of employee stock options and other forms of stock-based compensation, such as employee stock purchase plans and restricted stock awards. In addition, SFAS No. 123(R) supercedes Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows." Under the provisions of SFAS No. 123(R), stock-based compensation awards must meet certain criteria in order for the award to qualify for equity classification. An award that does not meet those criteria will be classified as a liability and be remeasured each period. SFAS No. 123(R) retains the requirements on accounting for the income tax effects of stock-based compensation contained in SFAS No. 123; however, it changes how excess tax benefits will be presented in the statement of cash flows. SFAS No. 123(R) is effective for reporting periods beginning after June 15, 2005. Senior management is currently considering the financial accounting, income tax and internal control implications of SFAS No. 123(R). The adoption of SFAS No. 123(R) is expected to have a significant impact on our financial position and results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29." SFAS No. 153 addresses the measurement of exchanges of nonmonetary assets. It eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets contained in APB Opinion No. 29 and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of an entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005. As the provisions of SFAS No. 153 are to be applied prospectively, the adoption of SFAS No. 153 will not have an impact on our historical financial statements; however, we will assess the impact of the adoption of this pronouncement on any future nonmonetary transactions that we enter into, if any.

ITEM 7A. 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

The Company's exposure to market risk resulting from changes in interest rates relates primarily to our investment portfolio. All of our cash equivalents and marketable securities are designated as available-for-sale and are therefore recorded at fair market value on our balance sheet with the unrealized gains or losses reported as a separate component of other comprehensive income. The fair market value of our marketable securities could be adversely impacted due to a rise in interest rates, but we do not believe such impact would be material. Securities with longer maturities are subject to a greater interest rate risk than those with shorter maturities and at December 31, 2004 our portfolio maturity was relatively short. If current interest rates were to increase or decrease by 10%, the fair market value of our investment portfolio could increase or decrease by $120,000.

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 obligation. However, the interest expense associated with our $25.0 million revolving credit line, which bears interest at floating rates, plus applicable margins, based on either the prime rate or LIBOR could be affected. As of December 31, 2004, the $25.0 million revolving credit line had an effective interest rate of 4.40%; however, through the date of filing of this report on Form 10-K, no drawings are outstanding under this line of credit. 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 December 31, 2004 was approximately $106.2 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 centers. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this Item 8 are listed in Item 15(a)(1) and begin at page F-1 of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There is no disclosure to report pursuant to Item 9.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2004.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein on page F-1 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

There is no disclosure to report pursuant to Item 9B.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification of Directors. Information concerning the directors of Equinix is set forth under the heading “Election of Directors” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

(b) Identification of Executive Officers. Information concerning executive officers of Equinix is set forth under the caption “Other Executive Officers” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

(c) Audit Committee Financial Expert. Information concerning Equinix’s audit committee financial expert is set forth under the heading “Report of the Audit Committee of the Board of Directors” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

(d) Identification of the Audit Committee. Information concerning the audit committee of Equinix is set forth under the heading “Report of the Audit Committee of the Board of Directors” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

(e) Section 16(a) Beneficial Ownership Reporting Compliance. Information concerning compliance with beneficial ownership reporting requirements is set forth under the caption “Compliance with Section 16(a) of the Exchange Act” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

(f) Code of Ethics. Information concerning the Equinix Code of Ethics and Business Conduct is set forth under the caption “Code of Ethics and Business Conduct” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference. The Code of Ethics and Business Conduct can also be found on our website, www.equinix.com.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is set forth under the headings “Executive Compensation and Related Information”, and “Report of the Compensation Committee of the Board of Directors” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning shares of Equinix equity securities beneficially owned by certain beneficial owners and by management is set forth under the heading “Security Ownership of Certain Beneficial Owners and Management” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is set forth under the heading “Certain Relationships and Related Transactions” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning fees and services of the Company’s principal accountants is set forth under the heading “Report of the Audit Committee of the Board of Directors” in the Equinix Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements:

(a)(2) All schedules have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(a)(3) 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.
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.
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Exhibit Number	Description of Document
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.
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.
10.99(16)	Indenture among Equinix, Inc. and U.S. Bank National Association as Trustee 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.

Exhibit Number	Description of Document
10.106(18)	Equinix, Inc. Employee Stock Purchase Plan effective as of June 3, 2004.
10.107	First Amendment to Sublease Agreement dated June 21, 2004 between Equinix Operating Co. Inc. and Sprint Communications Company L.P.
10.108	Omnibus Amendment Agreement dated November 24, 2004 between Equinix, Inc. and i-STT Investments Pte Ltd.
10.109+	Assignment and Assumption of Lease and First Amendment to Lease dated December 6, 2004, between Equinix Operating Company, Inc., Abovenet Communications, Inc., and Brokaw Interests; and Lease dated December 29, 1999 between Abovenet Communications, Inc., and Brokaw Interests.
10.110+	Loan and Security Agreement dated December 6, 2004 between Equinix, Inc. and Silicon Valley Bank
10.111	Sublease dated January 1, 2005 between Equinix, Inc, and At Last Sportswear, Inc./ Sharp Eye, Inc.
10.112	Conversion Agreement dated January 10, 2005 between Equinix, Inc. and i-STT Investments Pte Ltd.
10.113	First Amendment to Lease dated January 18, 2005 between Eden Ventures LLC and Equinix, Inc.
10.114	Notice to Convert Series A-1 Preferred Stock into Common Stock, dated February 1, 2005 by i-STT Investments Pte Ltd.
16.1(1)	Letter regarding change in certifying accountant.
17.1(19)	Resignation Letter of Jean Mandeville dated February 4, 2005
21.1(9)	Subsidiaries of Equinix.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(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.
(19) Incorporated herein by reference to exhibit 99.2 in the Registrant's Current Report on Form 8-K filed on February 9, 2005.
\+ 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) Exhibits.

See (a)(3) above.

(c) Financial Statement Schedule.

See (a)(2) above.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

EQUINIX, INC.
(Registrant)

March 10, 2005

By /s/ PETER F. VAN CAMP

Peter F. Van Camp
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Peter F. Van Camp or Renee F. Lanam, or either of them, each with the power of substitution, their attorney-in-fact, to sign any amendments to this Form 10-K (including post-effective amendments), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or their substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ PETER F. VAN CAMP Peter F. Van Camp	Chief Executive Officer and Director (Principal Executive Officer)	March 10, 2005
/s/ RENEE F. LANAM Renee F. Lanam	Chief Financial Officer and Secretary (Principal Financial Officer)	March 10, 2005
/s/ KEITH D. TAYLOR Keith D. Taylor	Vice President, Finance (Principal Accounting Officer)	March 10, 2005
/s/ LEE THENG KIAT Lee Theng Kiat	Chairman of the Board	March 10, 2005
/s/ STEVEN POY ENG Steven Poy Eng	Director	March 10, 2005
/s/ GARY HROMADKO Gary Hromadko	Director	March 10, 2005
/s/ SCOTT KRIENS Scott Kriens	Director	March 10, 2005

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Signature	Title	Date
/s/ ANDREW S. RACHLEFF Andrew S. Rachleff	Director	March 10, 2005
/s/ DENNIS RANEY Dennis Raney	Director	March 10, 2005
/s/ MICHELANGELO VOLPI Michelangelo Volpi	Director	March 10, 2005

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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.
10.99(16)	Indenture among Equinix, Inc. and U.S. Bank National Association as Trustee 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.
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10.111	Sublease dated January 1, 2005 between Equinix, Inc, and At Last Sportswear, Inc./ Sharp Eye, Inc.
10.112	Conversion Agreement dated January 10, 2005 between Equinix, Inc. and i-STT Investments Pte Ltd.
10.113	First Amendment to Lease dated January 18, 2005 between Eden Ventures LLC and Equinix, Inc.
10.114	Notice to Convert Series A-1 Preferred Stock into Common Stock, dated February 1, 2005 by i-STT Investments Pte Ltd.

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Exhibit Number	Description of Document
16.1(1)	Letter regarding change in certifying accountant.
17.1(19)	Resignation Letter of Jean Mandeville dated February 4, 2005
21.1(9)	Subsidiaries of Equinix.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(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.
(19) Incorporated herein by reference to exhibit 99.2 in the Registrant's Current Report on Form 8-K filed on February 9, 2005.
\+ 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.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of Equinix, Inc.:

We have completed an integrated audit of Equinix, Inc.'s 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Equinix, Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

San Jose, California
March 10, 2005

EQUINIX, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2004	December 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	$ 25,938	$ 26,869
Short-term investments	64,499	46,102
Accounts receivable, net of allowance for doubtful accounts of $337 and $315	11,919	10,178
Prepaids and other current assets	4,726	3,139
Total current assets	107,082	86,288
Long-term investments	17,655	—
Property and equipment, net	343,361	343,554
Goodwill	22,018	21,228
Debt issuance costs, net	3,164	5,954
Other assets	8,518	7,508
Total assets	$ 501,798	$ 464,532
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 21,028	$ 18,052
Accrued interest payable	1,706	1,114
Current portion of accrued restructuring charges	1,952	828
Current portion of debt facilities and capital lease obligations	675	2,689
Current portion of credit facility	—	12,000
Other current liabilities	6,877	3,843
Total current liabilities	32,238	38,526
Accrued restructuring charges, less current portion	12,798	—
Debt facilities and capital lease obligations, less current portion	34,529	723
Credit facility, less current portion	—	22,281
Senior notes	—	29,220
Convertible secured notes	35,824	31,683
Convertible subordinated debentures	86,250	—
Deferred rent and other liabilities	26,453	22,022
Total liabilities	228,092	144,455
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $0.001 par value per share; 100,000,000 shares authorized in 2004 and 2003; 1,868,667 shares issued and outstanding in 2004 and 2003; liquidation value of $18,298 as of December 31, 2004 and 2003	2	2
Common stock, $0.001 par value per share; 300,000,000 shares authorized in 2004 and 2003; 18,999,468 and 15,084,425 shares issued and outstanding in 2004 and 2003	19	15
Additional paid-in capital	776,123	755,698
Deferred stock-based compensation	(260)	(1,032)
Accumulated other comprehensive income	2,257	1,198
Accumulated deficit	(504,435)	(435,804)
Total stockholders' equity	273,706	320,077
Total liabilities and stockholders' equity	$ 501,798	$ 464,532

See accompanying notes to consolidated financial statements.

EQUINIX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended December 31,		
	2004	2003	2002
Revenues	$ 163,671	$ 117,942	$ 77,188
Costs and operating expenses:			
Cost of revenues	136,950	128,121	104,073
Sales and marketing	18,604	19,483	15,247
General and administrative	32,494	34,293	30,659
Restructuring charges	17,685	—	28,885
Total costs and operating expenses	205,733	181,897	178,864
Loss from operations	(42,062)	(63,955)	(101,676)
Interest income	1,291	296	998
Interest expense	(11,496)	(20,512)	(35,098)
Gain (loss) on debt extinguishment and conversion	(16,211)	—	114,158
Net loss before income taxes	(68,478)	(84,171)	(21,618)
Income taxes	(153)	—	—
Net loss	$ (68,631)	$ (84,171)	$ (21,618)
Net loss per share:			
Basic and diluted	$ (3.87)	$ (8.76)	$ (7.23)
Weighted average shares	17,719	9,604	2,990

See accompanying notes to consolidated financial statements.

EQUINIX, INC.

Consolidated Statements of Stockholders' Equity and Other Comprehensive Income (Loss)
For the Three Years Ended December 31, 2004
(in thousands, except share data)

	Preferred stock		Common stock						
	Shares	Amount	Shares	Amount	Additional paid-in capital	Deferred stock-based compensation	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
Balances as of December 31, 2001	—	$ —	2,502,412	$ 3	$ 544,420	$ (11,022)	$ 135	$ (330,015)	$ 203,521
Issuance of common stock upon exercise of common stock options	—	—	12,965	—	112	—	—	—	112
Issuance of common stock upon exercise of common stock warrants	—	—	58,551	—	11	—	—	—	11
Issuance of common stock under employee stock purchase plan	—	—	16,689	—	415	—	—	—	415
Issuance of common stock upon exchange of senior notes	—	—	2,357,001	2	30,831	—	—	—	30,833
Issuance of common and preferred stock upon acquisition of i-STT	1,868,667	2	1,084,686	1	31,184	—	—	—	31,187
Issuance of common stock upon acquisition of Pihana	—	—	2,416,379	2	25,515	—	—	—	25,517
Issuance/revaluation of common and preferred stock warrants	—	—	—	—	6,856	—	—	—	6,856
Deferred stock-based compensation, net of forfeitures	—	—	—	—	(1,279)	1,279	—	—	—
Amortization of stock-based compensation	—	—	—	—	—	6,878	—	—	6,878
Comprehensive income (loss):									
Net loss	—	—	—	—	—	—	—	(21,618)	(21,618)
Foreign currency translation gain	—	—	—	—	—	—	498	—	498
Unrealized loss on short-term investments	—	—	—	—	—	—	(16)	—	(16)
Net comprehensive income (loss)	—	—	—	—	—	—	482	(21,618)	(21,136)
Balances as of December 31, 2002	1,868,667	2	8,448,683	8	638,065	(2,865)	617	(351,633)	284,194
Issuance of common stock upon exercise of common stock options	—	—	383,198	—	1,541	—	—	—	1,541
Issuance of common stock upon exercise of common stock warrants	—	—	536,457	1	10	—	—	—	11
Issuance of common stock under employee stock purchase plan	—	—	191,307	—	569	—	—	—	569
Issuance of common stock from follow-on equity offering	—	—	5,524,780	6	104,437	—	—	—	104,443
Issuance/revaluation of common stock warrants and value of beneficial conversion feature in connection with Crosslink financing	—	—	—	—	10,004	—	—	—	10,004
Deferred stock-based compensation, net of forfeitures	—	—	—	—	1,072	(1,072)	—	—	—
Amortization of stock-based compensation	—	—	—	—	—	2,905	—	—	2,905
Comprehensive income (loss):									
Net loss	—	—	—	—	—	—	—	(84,171)	(84,171)
Foreign currency translation gain	—	—	—	—	—	—	577	—	577
Unrealized gain on short-term investments	—	—	—	—	—	—	4	—	4
Net comprehensive income (loss)	—	—	—	—	—	—	581	(84,171)	(83,590)
Balances as of December 31, 2003	1,868,667	2	15,084,425	15	755,698	(1,032)	1,198	(435,804)	320,077
Issuance of common stock upon exercise of common stock options	—	—	1,038,306	1	5,954	—	—	—	5,955
Issuance of common stock upon exercise of common stock warrants	—	—	62,100	—	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	—	—	314,637	—	1,334	—	—	—	1,334
Issuance of common stock upon conversion of convertible secured notes	—	—	2,500,000	3	9,997	—	—	—	10,000
Issuance/revaluation of common stock warrants	—	—	—	—	2,445	—	—	—	2,445
Deferred stock-based compensation, net of forfeitures	—	—	—	—	695	(695)	—	—	—
Amortization of stock-based compensation	—	—	—	—	—	1,467	—	—	1,467
Comprehensive income (loss):									
Net loss	—	—	—	—	—	—	—	(68,631)	(68,631)
Foreign currency translation gain	—	—	—	—	—	—	1,147	—	1,147
Unrealized loss on investments	—	—	—	—	—	—	(88)	—	(88)
Net comprehensive income (loss)	—	—	—	—	—	—	1,059	(68,631)	(67,572)
Balances as of December 31, 2004	1,868,667	$ 2	18,999,468	$ 19	$ 776,123	$ (260)	$ 2,257	$ (504,435)	$ 273,706

See accompanying notes to consolidated financial statements.

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EQUINIX, INC.

Consolidated Statements of Cash Flows
(in thousands)

	Year ended December 31, 2004	2003	2002
Cash flows from operating activities:			
Net loss	$ (68,631)	$ (84,171)	$ (21,618)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and accretion	56,281	60,642	54,082
Amortization of stock-based compensation	1,467	2,905	6,878
Amortization of intangible assets and non-cash prepaid rent	2,243	2,106	—
Amortization of debt-related issuance costs and discounts	2,693	5,574	4,179
Non-cash interest on convertible secured notes	5,112	4,693	—
Amortization of deferred rent	3,449	3,174	1,798
Allowance for (recovery of) doubtful accounts	(50)	—	2,329
Loss on disposal of assets	36	186	11
Loss (gain) on debt extinguishment and conversion	16,211	—	(114,158)
Restructuring charges	17,685	—	28,885
Changes in operating assets and liabilities:			
Accounts receivable	(1,691)	(662)	(2,511)
Prepaids and other current assets	(1,458)	6,885	4,290
Other assets	(2,556)	379	2,604
Accounts payable and accrued expenses	3,086	(6,567)	11,126
Accrued restructuring charges	(761)	(11,350)	(9,279)
Other current liabilities	3,759	(497)	2,374
Other liabilities	37	(563)	1,501
Net cash provided by (used in) operating activities	36,912	(17,266)	(27,509)
Cash flows from investing activities:			
Purchases of short-term and long-term investments	(220,769)	(46,098)	(14,662)
Maturities of short-term investments	177,608	—	—
Sales of short-term investments	7,021	—	43,536
Purchases of property and equipment	(22,934)	(7,750)	(6,508)
Accrued construction costs and property and equipment	458	2,454	(28,708)
Purchase of restricted cash and short-term investments	—	(50)	(5,090)
Sale of restricted cash and short-term investments	1,751	2,265	3,904
Net cash used in investing activities	(56,865)	(49,179)	(7,528)
Cash flows from financing activities:			
Proceeds from issuance of common stock	7,289	106,564	537
Proceeds from convertible subordinated debentures	86,250	—	—
Proceeds from convertible secured notes	—	10,000	30,000
Acquisition of cash from i-STT and Pihana, less acquisition costs	—	—	29,180
Repayment of debt facilities and capital lease obligations	(3,632)	(6,074)	(6,118)
Repayment of credit facility	(34,281)	(57,229)	(13,490)
Repayment of senior notes	(30,475)	—	(17,691)
Debt extinguishment costs	(2,505)	—	(3,600)
Debt issuance costs	(3,407)	(973)	(1,894)
Net cash provided by financing activities	19,239	52,288	16,924
Effect of foreign currency exchange rates on cash and cash equivalents	(217)	(190)	498
Net increase (decrease) in cash and cash equivalents	(931)	(14,347)	(17,615)
Cash and cash equivalents at beginning of year	26,869	41,216	58,831
Cash and cash equivalents at end of year	$ 25,938	$ 26,869	$ 41,216
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 3,181	$ 13,548	$ 19,948

See accompanying notes to consolidated financial statements.

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Equinix, Inc. ("Equinix" or the "Company") was incorporated in Delaware on June 22, 1998. Equinix is the leading global provider of network-neutral data centers and Internet exchange services for enterprises, content companies, systems integrators and network services providers. Through the Company's 15 Internet Business Exchange ("IBX") centers in five countries, customers can directly interconnect with every major global network and Internet service provider for their critical peering, transit and traffic exchange requirements. These interconnection points facilitate the highest performance and growth of the Internet by serving as neutral and open marketplaces for Internet infrastructure services, allowing customers to expand their businesses while reducing costs.

In October 2002, the Company entered into agreements to consummate a series of related acquisition and financing transactions. These transactions closed on December 31, 2002. Under the terms of these agreements, the Company combined its business with two similar businesses, which are predominantly based in the Asia-Pacific region, through the acquisition of i-STT Pte Ltd ("i-STT") and Pihana Pacific, Inc. ("Pihana") by issuing approximately 3.5 million shares of Equinix common stock and approximately 1.9 million shares of Equinix preferred stock. The Company refers to this transaction as the combination (the "Combination") (see Note 2). In conjunction with the Combination, the Company issued to i-STT's former parent company, STT Communications Ltd. ("STT Communications"), a $30.0 million convertible secured note in exchange for cash. The Company refers to this transaction as the financing (the "Financing") (see Note 8).

In connection with the Combination and Financing, the Company completed the Senior Note Exchange, whereby the Company amended the terms of the Indenture governing the Senior Notes and extinguished $116.8 million of Senior Notes in exchange for a combination of common stock and cash. This resulted in the recognition of a substantial gain on debt extinguishment during the fourth quarter of 2002 (see Note 6).

In November 2003, the Company sold 5.5 million shares of its common stock at a purchase price of $20.00 per share, which resulted in net proceeds to the Company of $104.4 million. The Company refers to this transaction as the follow-on equity offering (the "Follow-on Equity Offering") (see Note 12). In addition, in conjunction with the Follow-on Equity Offering, the Company received consent from its senior lenders to amend the terms of its Credit Facility and permanently repaid $55.2 million of the then outstanding principal balance of $90.5 million (see Note 7).

In February 2004, the Company sold $86.3 million in aggregate principal of 2.5% Convertible Subordinated Debentures due 2024 to qualified institutional buyers (see Note 9). The Company used the net proceeds from this offering primarily 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. 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 10).

As of December 31, 2004, the Company had $108.1 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.

Stock Split

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

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Equinix and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Consolidation

The Company follows the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 94, “Consolidation of All Majority-Owned Subsidiaries” and Emerging Issues Task Force (“EITF”) Abstract No. 96-16, “Investor’s Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights.” As a result, all majority-owned subsidiaries are consolidated unless the Company does not have control. Evidence of such a lack of effective control includes the Company’s inability to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract, or otherwise.

As a result of the Combination, the Company acquired a 60% interest in i-STT Nation Limited, an IBX center operation in Thailand. However, as a result of certain substantive participating rights granted to minority shareholders, i-STT Nation Limited was not considered a controlled subsidiary and accordingly, it was not consolidated. Accordingly, the Company accounted for i-STT Nation Limited as an equity investment using the equity method of accounting. Under the purchase price allocation, the Company attributed no value to this investment as i-STT Nation Limited was in the early stages of operations and was not able to generate positive operating cashflow for the foreseeable future. During the year ended December 31, 2003, the Company made the decision to wind-down i-STT Nation Limited, entered into a wind-down agreement and liquidated this subsidiary. The costs of wind-down were accounted for as a purchase price adjustment (see Note 2).

The Company’s cumulative translation adjustment as of December 31, 2004, 2003 and 2002 was $2,349,000, $1,202,000 and $617,000, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash, Cash Equivalents and Short-Term and Long-Term Investments

The Company considers all highly liquid instruments with an original maturity from the date of purchase of three months or less to be cash equivalents. Cash equivalents consist of money market mutual funds and certificates of deposit with financial institutions with maturities up to 90 days. Short-term investments generally consist of certificates of deposits with original maturities of between 90 and 360 days and highly liquid debt

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

securities of corporations, municipality agencies of the U.S. government and the U.S. government. Long-term investments generally consist of debt securities of corporations, municipality agencies of the U.S. government and the U.S. government with maturities at the date of acquisition of greater than 360 days. Short-term and long-term investments are classified as "available-for-sale" and are carried at fair value based on quoted market prices with unrealized gains and losses reported in stockholders' equity as a component of comprehensive income. The cost of securities sold is based on the specific identification method.

Financial Instruments and Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash, cash equivalents and short-term and long-term investments to the extent these exceed federal insurance limits and accounts receivable. Risks associated with cash, cash equivalents and short-term and long-term investments are mitigated by the Company's investment policy, which limits the Company's investing to only those marketable securities rated at least A-1/P-1 and AA/Aa2 investment grade, as determined by independent credit rating agencies.

The Company's customer base has historically been composed primarily of businesses throughout the United States; however, on December 31, 2002, as a result of the Combination (see Note 2), the Company acquired the accounts receivable balances of i-STT and Pihana, and commencing in fiscal 2003, the Company's revenues now include revenues from these Asia-Pacific operations. The Company performs ongoing credit evaluations of its customers. For the years ended December 31, 2004, 2003 and 2002, one customer, IBM, accounted for 13%, 15% and 20%, respectively, of revenues for those years. As of December 31, 2004 and 2003, this same customer accounted for 12% and 11%, respectively, of accounts receivable. No other single customer accounted for greater than 10% of accounts receivables or revenues for the periods presented.

Property and Equipment

Property and equipment are stated at the Company's original cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, generally two to five years for non-IBX center equipment and two to twelve years for IBX center equipment. Leasehold improvements and assets acquired under capital lease are amortized over the shorter of the lease term or the estimated useful life of the asset or improvement, which is generally ten to fifteen years for the leasehold improvements.

Asset Retirement Costs

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

During the year ended December 31, 2004, the Company recorded additional asset retirement costs related to new leases totaling \$83,000. In addition, during the fourth quarter of 2004, the Company revised certain of its estimates used in its calculations for asset retirement costs. As a result, the Company recorded an increase to its

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

asset retirement obligations of $1,057,000 and increased the related long-lived assets accordingly, which the Company reflects within leasehold improvements in property and equipment. For the years ended December 31, 2004 and 2003, the Company recorded accretion expense related to its asset retirement obligations of $355,000 and $562,000, respectively.

Goodwill and Other Intangible Assets

The Company recorded goodwill as part of the Combination, which closed on December 31, 2002 (see Note 2), which is fully attributed to the Company's Singapore operation. The Company is required to perform an impairment review of its goodwill balance on at least on an annual basis, which the Company performs during the fourth quarter. This impairment review involves a two-step process as follows:

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

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

During the three months ended December 31, 2004, the Company performed its annual test for goodwill impairment as required by SFAS No. 142. Equinix currently operates in one reportable segment, but has determined that it operates in a number of reporting units for the purposes of SFAS No. 142. The Company completed its evaluation with the assistance of a third party consultant and concluded that goodwill was not impaired as the fair value of its Singapore reporting unit exceeded the carrying value of this reporting unit, including goodwill. The primary methods used to determine the fair values for SFAS No. 142 impairment purposes were the discounted cash flow and market methods. The assumptions supporting the discounted cash flow method, including the discount rate, which was assumed to be 14%, were determined using the Company's best estimates as of the date of the impairment review.

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

	2004	2003
Goodwill	$22,018	$21,228
Other intangibles:		
Intangible asset—customer contracts	4,114	3,927
Intangible asset—tradename	318	300
Intangible asset—workforce	160	160
	4,592	4,387
Accumulated amortization	(4,357)	(2,106)
	235	2,281
	$22,253	$23,509

Other identifiable intangible assets, comprised of customer contracts, tradename and workforce, are carried at cost, less accumulated amortization, and were acquired as a result of the Combination (see Note 2) and the Santa Clara IBX Acquisition (see Note 3). No amortization was recognized in fiscal 2002 as the Combination was consummated on December 31, 2002 and the Santa Clara IBX Acquisition was consummated on December 1, 2003. Beginning in fiscal 2003, the Company began amortizing these other identifiable intangibles on a straight-line basis over their estimated useful lives, which are two years for customer contracts acquired in the Combination and five years for customer contracts acquired in the Santa Clara IBX Acquisition and one year for both tradename and workforce. Other intangible assets, net, are included in other assets on the accompanying balances sheets as of December 31, 2004 and 2003.

For the year ended December 31, 2004, the Company recorded $2,049,000 of amortization expense associated with its other intangible assets. For the year ended December 31, 2003, the Company recorded $2,106,000 of amortization expense associated with its other intangible assets. Prior to 2003, the Company had not recorded amortization expense. The Company expects to record the following amortization expense during the next five years (in thousands):

Year ending:	
2005	$ 60
2006	60
2007	60
2008	55
2009	—
Total	$235

Fair Value of Financial Instruments

The carrying value amounts of the Company’s financial instruments, which include cash equivalents, short-term and long-term investments, accounts receivable, accounts payable, accrued expenses and long-term obligations approximate their fair value due to either the short-term maturity or the prevailing interest rates of the related instruments. The fair value of the Company’s Senior Notes was based on quoted market prices. The estimated fair value of the Senior Notes was approximately $24.4 million as of December 31, 2003. In March 2004, the Company redeemed all of the Senior Notes, which had a total of $30.5 million of principal outstanding as of December 31, 2003 (see Note 6). The fair value of the Company’s Convertible Subordinated Debentures, which were issued in February 2004, are based on quoted market prices (see Note 9). The estimated fair value of the Convertible Subordinated Debentures was approximately $106.2 million as of December 31, 2004.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the quarter ended June 30, 2002, and also during the quarter ended December 31, 2004, the Company wrote-down the value of some property and equipment, primarily leasehold improvements, located in excess lease spaces that the Company exited from or intends to exit from and that do not currently provide any ongoing benefit (see Note 17).

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In light of a number of factors, including the continued difficulty in the economy and the Company's significant losses to date, an impairment assessment was undertaken of the Company's IBX centers as of December 31, 2002. This assessment involved an assessment of the future net cash flows generated by each IBX center over their respectful useful lives and comparing this against the carrying value of that IBX center. The revenue and cost assumptions used in this analysis were based on numerous factors, including the current revenue and cost performance of each IBX hub, historical growth rates, the remaining space to fill each IBX center to full capacity relative to the market demand in each of the individual geographic markets of each IBX hub, expected inflation rates and any other available economic indicators and factors that the Company believed were relevant. This analysis showed that the total of the undiscounted future cash flows was greater than the carrying amount of the assets, and accordingly, no impairment was deemed to have occurred. Significant judgments and assumptions were required in the forecast of future operating results used in the preparation of the estimated future cash flows, including profit margins, customer growth and the timing of overall market growth and the Company's percentage of that market. The Company reviewed this analysis as of December 31, 2003, and again as of December 31, 2004, and noted that the Company had generally performed better in all significant aspects compared to the projections used in the prior year and that no impairment indicators or triggering events were present. As a result, no further impairment analysis was performed; however, if future results do not match these estimates, revised future forecasts could result in a material adverse effect on the assessment of the Company's long-lived assets, thereby requiring the Company to write down the assets.

Revenue Recognition

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 or expected customer relationship. Professional service fees are recognized in the period in which the services were provided and represent the culmination of the earnings process as long as they meet the criteria for separate recognition under EITF Abstract No. 00-21, "Revenue Arrangements with Multiple Deliverables." 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. To the extent the Company does not meet the criteria for gross basis accounting for bandwidth and equipment revenue, the Company records the revenue on a net basis. 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 although in certain cases the Company obtains a security interest in a customer's equipment placed in its IBX centers or obtains a deposit. If the Company determines that collection of a fee is not reasonably assured, the Company defers the fee and recognizes revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash. In addition, Equinix also maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments for those customers that the Company had expected to collect the revenues. If the financial condition of Equinix's customers were to deteriorate or if they become insolvent, resulting in an impairment of their ability to make payments, allowances for doubtful accounts may be required. Management specifically analyzes accounts receivable and current economic news and trends, historical bad debts, customer concentrations, customer credit-worthiness and changes in customer payment terms when evaluating revenue recognition and the adequacy of the Company's reserves. A specific bad debt reserve of up to the full amount of a particular invoice value is provided for certain problematic customer balances. A general reserve is established for all other accounts based on the age of the invoices. Delinquent account balances are written-off after management has determined that the likelihood of collection is not probable.

Income Taxes

Income taxes are accounted for under the asset and liability method Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year 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 deferred tax assets to the amounts that are expected more likely than not to be realized in the future. The assessment of whether or not a valuation allowance is required often requires significant judgment including the forecast of future taxable income and the evaluation of tax planning strategies in each of the jurisdictions in which the Company operates. The Company also accounts for any income tax contingencies in accordance with SFAS No. 5, "Accounting for Contingencies."

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-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 December 31, 2004, there was a total of $260,000 of deferred stock-based compensation remaining to be amortized, primarily 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.

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

	2004	2003	2002
Cost of revenues	$ 35	$ 59	$ 266
Sales and marketing	60	294	952
General and administrative	1,372	2,552	5,660
	$1,467	$2,905	$6,878

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):

	2004	2003	2002
Net loss as reported	$(68,631)	$(84,171)	$(21,618)
Stock-based compensation expense included in net loss	1,459	2,818	6,859
Stock-based compensation expense if SFAS No. 123 had been adopted	(20,756)	(10,238)	(12,866)
Pro forma net loss	$(87,928)	$(91,591)	$(27,625)
Basic and diluted net loss per share:			
As reported	$ (3.87)	$ (8.76)	$ (7.23)
Pro forma	(4.96)	(9.54)	(9.24)

The Company's fair value calculations for employee grants were made using the Black-Scholes option pricing model with the following weighted average assumptions for the years ended December 31:

	2004	2003	2002
Dividend yield	0%	0%	0%
Expected volatility	98%	110%	135%
Risk-free interest rate	2.58%	2.24%	3.75%
Expected life (in years)	3.50	3.50	3.50

The weighted-average fair value of stock options per share on the date of grant was $19.48, $3.91 and $21.58 for the years ended December 31, 2004, 2003 and 2002, respectively. The Company's fair value

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calculations for employee's stock purchase rights under the Purchase Plan (see Note 12) were made using the Black-Scholes option pricing model with weighted average assumptions consistent with those used for employee grants as indicated above; however, the assumption for expected life (in years) used for the Purchase Plan was approximately two years for each of the periods presented.

Comprehensive Income

Comprehensive income (loss) is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. The primary difference between net income (loss) and comprehensive income (loss) for Equinix results from foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities.

The financial position of foreign subsidiaries is translated using the exchange rates in effect at the end of the period, while income and expense items are translated at average rates of exchange during the period. Gains or losses from translation of foreign operations where the local currency is the functional currency are included as other comprehensive income or loss. The net gains and losses resulting from foreign currency transactions are recorded in net income (loss) in the period incurred and were not significant for any of the periods presented. Certain inter-company balances are designated as long term. Accordingly, exchange gains and losses associated with these long-term inter-company balances are recorded as a component of other comprehensive income (loss), along with translation adjustments.

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; EITF Issue 03-6, "Participating Securities and the Two-Class Method Under FASB 128", which the Company adopted during the second quarter of 2004 and EITF Issue 04-8 "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share", which the Company adopted during the fourth quarter of 2004. Under the provisions of SFAS No. 128, SAB No. 98 and EITF Issues 03-6 and 04-8, basic and diluted net loss per share are computed using the weighted-average number of common shares outstanding. Options, warrants and contingently convertible instruments 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 was 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. In addition, under EITF 04-8, the Company's Convertible Subordinated Debentures qualify as contingently convertible instruments; however, they were not included in the Company's diluted net loss per share calculations because to do so would be anti-dilutive for all periods presented.

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The following table sets forth the computation of basic and diluted net loss per share for the years ended December 31 (in thousands, except per share amounts):

	2004	2003	2002
Numerator:			
Net loss	$(68,631)	$(84,171)	$(21,618)
Denominator:			
Weighted average shares	17,719	9,606	3,015
Weighted average unvested shares subject to repurchase	—	(2)	(25)
Total weighted average shares	17,719	9,604	2,990
Net loss per share:			
Basic and diluted	$ (3.87)	$ (8.76)	$ (7.23)

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 December 31:

	2004	2003	2002
Series A preferred stock	1,868,667	1,868,667	1,868,667
Series A preferred stock warrant	965,674	965,674	965,674
Shares reserved for conversion of convertible secured notes	4,191,193	6,160,765	2,785,205
Shares reserved for conversion of convertible subordinated debentures	2,183,548	—	—
Common stock warrants	290,110	245,835	269,586
Common stock options	3,801,794	3,407,938	725,821
Common stock subject to repurchase	—	150	6,986

Derivatives and Hedging Activities

The Company follows SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended, which requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through the statement of operations. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative’s change in fair value will be immediately recognized in earnings. As of December 31, 2004, the Company had not entered into any hedging activities; however, the Convertible Subordinated Debentures that were issued in February 2004 contain one remaining embedded derivative, which had a zero fair value as of December 31, 2004 (see Note 9).

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

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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 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.

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 EITF Issue 03-1-1, which deferred the effective date for the measurement and recognition guidance clarified in EITF Issue 03-1 indefinitely; however, the disclosure requirements remain effective for fiscal years ending after June 15, 2004. While the effective date for certain elements of EITF Issue 03-1 have been deferred, the adoption of EITF Issue 03-1 when finalized in its current form is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In November 2004, the FASB approved EITF Issue 04-8 "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share." EITF Issue 04-8 addresses when contingently convertible instruments should be included in diluted earnings per share. For purposes of EITF Issue 04-8, contingently convertible instruments are instruments that have embedded conversion features that are contingently convertible or exercisable based on (a) a market price trigger or (b) multiple contingencies if one of the contingencies is a market price trigger and the instrument can be converted or share settled based on meeting the specified market condition. EITF Issue 04-8 is effective for reporting periods beginning after December 15, 2004 and should be applied by restating previously reported earnings per share data. The Company adopted the provisions of EITF Issue 04-8 during the fourth quarter of 2004. The adoption of EITF Issue 04-8 did not have a material effect on the Company's diluted net loss per share data at this time.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment." SFAS No. 123(R) revises SFAS No. 123, "Accounting for Stock-Based Compensation" and requires companies to expense the fair value of employee stock options and other forms of stock-based compensation, such as employee stock purchase plans and restricted stock awards. In addition, SFAS No. 123(R) supercedes Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows." Under the provisions of SFAS No. 123(R), stock-based compensation awards must meet certain criteria in order for the award to qualify for equity classification. An award that does not meet those criteria will be classified as a liability and be remeasured each period. SFAS No. 123(R) retains the requirements on accounting for the income tax effects of stock-based compensation contained in SFAS No. 123; however, it changes how excess tax benefits will be presented in the statement of cash flows. SFAS No. 123(R) is effective for reporting periods beginning after June 15, 2005. The Company is currently considering the financial accounting, income tax and internal control implications of SFAS No. 123(R). The adoption of SFAS No. 123(R) is expected to have a significant impact on the Company's financial position and results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29." SFAS No. 153 addresses the measurement of exchanges of nonmonetary assets. It eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets contained in APB Opinion No. 29 and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of an entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005. As the provisions of SFAS No. 153 are to be applied prospectively, the adoption of SFAS No. 153 will not have an impact on the Company's historical financial statements; however, the Company will assess the impact of the adoption of this pronouncement on any future nonmonetary transactions that the Company enters into, if any.

2. The Combination

Acquisition of i-STT

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

The fair value of the Company's stock issued was determined using the five-trading-day average price of the Company's common stock surrounding the date the transaction was announced in October 2002. The Company determined that the fair value of the Series A preferred stock and the common stock was the same because the material rights, preferences and privileges of Series A preferred stock and the common stock were virtually identical (see Note 12).

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The initial purchase price, including direct merger costs, was allocated to the net tangible and intangible assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. Included in the net liabilities assumed as of December 31, 2002, was an accrual of $400,000 representing the estimated costs to exit from an undeveloped IBX center leasehold interest in Shanghai, China. The Company completed the exit of this lease during the second quarter of 2003. During the quarter ended March 31, 2003, the Company recorded an adjustment to increase the goodwill acquired in the i-STT Acquisition by $650,000 as a result of the decision to wind-down the joint venture in Thailand, i-STT Nation Limited. The wind-down costs attributed to i-STT Nation Limited were treated as a purchase price adjustment consistent with the provisions of EITF 95-3 “Costs to Exit an Activity of an Acquired Company.” As of the date of closing of the Combination, the Company planned to exit the Thailand business. However, because i-STT Nation Limited was not a wholly-owned subsidiary, third-party consents were required for the Company to exit this business and since, as of the date of the Combination, the Company did not have such consents, the Company was unable to estimate the timing for such exit. During the first quarter of 2003, senior management from the Company had several meetings with the third parties, whose consent was required to discuss the cost and timing for the Company to exit the business, and as a result, the Company estimated that its share of the costs to shut down the joint venture would not exceed $650,000. The Company completed these wind-down efforts during the second half of 2003. The costs of both exiting the Shanghai leasehold and winding down the joint venture in Thailand were less than expected, and as a result, the Company recorded an adjustment to reduce the remaining accruals for these efforts totaling $446,000, which decreased the goodwill balance acquired in the i-STT Acquisition. Over the course of 2003, the Company recorded several adjustments to the provisional purchase price allocation following the resolution of certain contingencies, including the Shanghai lease termination and Thailand wind-down activities discussed above, totaling $348,000, which decreased the goodwill balance acquired in the i-STT Acquisition.

The fair value of the assets and liabilities assumed, inclusive of all purchase price adjustments, is summarized as follows (in thousands):

Cash and cash equivalents	$ 1,699
Accounts receivable	1,673
Other current assets	197
Property and equipment	10,455
Intangible asset—customer contracts	3,600
Intangible asset—tradename	300
Intangible asset—goodwill	20,733
Other assets	550
Total assets acquired	39,207
Accounts payable and accrued expenses	(4,048)
Accrued restructuring charges	(604)
Other current liabilities	(190)
Net assets acquired	$34,365

The Company accounted for the i-STT Acquisition using the purchase method. The customer contracts intangible asset has a useful life of two years, the typical term of a customer contract, and the tradename intangible asset had a useful life of one year, the contractual period under the Combination Agreement.

Acquisition of Pihana

On December 31, 2002, a wholly-owned subsidiary of the Company merged with and into Pihana (the “Pihana Acquisition”). Pihana was a similar business to that of Equinix with IBX center operations in Singapore;

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Tokyo, Japan; Sydney, Australia; Hong Kong, China, as well as Los Angeles and Honolulu in the U.S. The entire purchase price of $28,376,000 was comprised of (i) 2,416,379 shares of the Company's common stock, with a total value of $25,517,000, (ii) total cash consideration and direct transaction costs of $2,683,000 and (iii) the value of Pihana shareholder warrants assumed in the Pihana Acquisition of $176,000 (the "Pihana Shareholder Warrants"). The fair market value of the Company's stock issued was determined using the five-trading-day average price of the Company's common stock surrounding the date the transaction was announced in October 2002. The fair value of the Pihana Shareholder Warrants, which represent the right to purchase 133,442 shares of the Company's common stock at an exercise price of $191.81 per share, was determined using the Black-Scholes option-pricing model and the following assumptions: fair market value per share of $5.70, dividend yield of 0%, expected volatility of 135%, risk-free interest rate of 4% and a contractual life of approximately 3 years.

The initial purchase price, including direct merger costs, was allocated to assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. Included in the net liabilities assumed as of December 31, 2002, were total restructuring charges of $9,470,000, which related primarily to the exit of the undeveloped portion of the Pihana Los Angeles IBX center leasehold, severance related to an approximate 30% reduction in workforce, including several officers of Pihana and some transaction-related professional fees. A substantial portion of these costs were paid during 2003. Prior to December 31, 2002, Pihana sold their Korean IBX center operations, which was excluded from the Pihana Acquisition, terminated or amended several operating leaseholds and recorded a substantial impairment charge against the value of their property and equipment assumed in the Pihana Acquisition. During the fourth quarter of 2003, the Company recorded several adjustments to the provisional purchase price allocation following the resolution of certain contingencies totaling $1,184,000, which increased the property and equipment balance assumed in the Pihana Acquisition. In addition, during 2004, the Company recorded several additional adjustments to the provisional purchase price allocation following the settlement of certain liabilities accrued at the consummation date totaling $157,000, which decreased the property and equipment balance assumed in the Pihana Acquisition.

The fair value of the assets and liabilities assumed, inclusive of all purchase price adjustments, is summarized as follows (in thousands):

Cash and cash equivalents	$33,341
Accounts receivable	754
Other current assets	651
Property and equipment	6,718
Restricted cash	927
Other assets	2,329
Total assets acquired	44,720
Accounts payable and accrued expenses	(3,294)
Accrued restructuring charges and transaction fees	(9,536)
Other current liabilities	(42)
Capital lease obligations	(1,536)
Other liabilities	(1,936)
Net assets acquired	$28,376

The Company accounted for the Pihana Acquisition using the purchase method.

Acquired Restructuring Accruals

As a result of the Combination, the Company acquired several accruals related to restructuring activities from both i-STT and Pihana, which were commenced in 2002, but the majority of which were not completed until 2003.

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A summary of the changes in accrued restructuring charge from December 31, 2003 to December 31, 2004 is outlined as follows (in thousands):

	Acquired restructuring accruals as of December 31, 2003	Purchase price adjustments	Cash payments	Acquired restructuring accruals as of December 31, 2004
Workforce reduction and related costs	$ 218	$ (90)	$ (128)	$ —
Lease exit and office shutdown costs	390	(67)	(323)	—
	$ 608	$ (157)	$ (451)	$ —

A summary of the changes in accrued restructuring charge from December 31, 2002 to December 31, 2003 is outlined as follows (in thousands):

	Acquired restructuring accruals as of December 31, 2002	Purchase price adjustments	Cash payments	Acquired restructuring accruals as of December 31, 2003
Workforce reduction and related costs	$ 5,712	$ —	$(5,494)	$ 218
Lease exit and office shutdown costs	1,735	(314)	(1,031)	390
Other professional fees	2,423	—	(2,423)	—
Thailand joint venture wind-down	—	518	(518)	—
	$ 9,870	$ 204	$(9,466)	$ 608

During the first quarter of 2003, the Company recorded a liability of $650,000 as a result of the decision to wind-down the joint venture in Thailand, i-STT Nation Limited, which was recorded as an adjustment to the goodwill acquired in the i-STT Acquisition. The Company completed this effort during the second half of 2003. During the fourth quarter of 2003, the Company recorded several purchase price adjustments, which had a total impact to the acquired restructuring accruals totaling $446,000, primarily related to the joint venture wind-down effort in Thailand as well as the efforts to exit from a leasehold in Shanghai, China, as the actual costs to complete these activities were less than anticipated. One of these adjustments resulted in reducing the $650,000 accrual that the Company had recorded during the quarter ended March 31, 2003, for Thailand joint venture wind-down costs, to $518,000. The net impact of all purchase accounting adjustments to the acquired restructuring accruals for the year ended December 31, 2003, was $204,000.

Unaudited Pro Forma Consolidated Combined Results

The operating results of i-STT and Pihana included in the Company's consolidated statements of operations and cash flows commencing on December 31, 2002 were immaterial to the consolidated results of the Company. The following unaudited pro forma financial information presents the consolidated results of the Company as if the i-STT Acquisition and Pihana Acquisition had occurred as of January 1, 2002, and includes adjustments to exclude the Korean operations not acquired in the Pihana Acquisition. This pro forma financial information does not necessarily reflect the results of operations as they would have been if the Company had acquired these entities as of January 1, 2002.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Unaudited pro forma consolidated results of operations for the year ended December 31, 2002 is as follows (in thousands, except per share data):

	2002
Revenues	$ 93,150
Net loss	(69,351)
Basis and diluted net loss per share	(10.68)

These unaudited pro forma results do not include the effects of the the Senior Note Exchange (see Note 6) or Financing (see Note 8).

3. IBX Acquisitions and Expansions

Santa Clara IBX Acquisition

In December 2003, the Company entered into a definitive agreement to sublease an already constructed 160,000 square foot 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 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 center and entered into new contracts with the key customers. The Company also hired a number of Sprint employees that were working within this IBX center. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Washington, D.C. Metro Area IBX Expansion

In April 2004, the Company entered into a long-term lease for a 95,000 square foot data center in the Washington, D.C. metro area. This center is adjacent to the Company's existing Washington D.C. metro area IBX. This lease, which includes the leasing of all of the IBX plant and machinery equipment located within the building, is classified as a capital lease (the "Washington, D.C. Metro Area IBX Expansion Capital Lease"). The Company took possession of this property during the fourth quarter of 2004, and as a result, recorded property and equipment assets, as well as a capital lease obligation, totaling $35,309,000. Monthly payments under this lease, which commenced in November 2004, will be made through 2019 at an effective interest rate of 8.50% per annum (see Note 5). The Company refers to this transaction as the "Washington, D.C. Metro Area IBX Expansion."

San Jose IBX Acquisition

In December 2004, the Company entered into a long-term lease for a 103,000 square foot data center in the Silicon Valley area through an Assignment and Assumption of Lease agreement with Abovenet Communications, Inc. ("Abovenet") (the "New San Jose IBX Lease"). This center is close to the Company's existing IBX centers in the Silicon Valley, and this new addition expands the global Equinix footprint to approximately 1.4 million square feet. The Company will take possession of this property during the first quarter of 2005. Concurrent with the signing of the New San Jose IBX Lease, the Company also purchased the assets, primarily IBX plant and machinery, located in this center from Abovenet for a purchase price of $924,000 The Company will fund this purchase price when it takes possession of this property during the first quarter of 2005 (the "New San Jose IBX Asset Purchase Agreement") . The Company also entered into an agreement with Abovenet to interconnect all three of its IBX centers in the Silicon Valley through redundant dark fiber links for a fee of $3,300,000 (the "Silicon Valley IBX Fiber Ring Agreement"). The Company will manage the dark fiber links and will allow customers in each center to leverage the benefits of directly interconnecting with other customers in the other centers. Pursuant to the terms of the Silicon Valley IBX Fiber Ring Agreement, the Company paid $2,550,000 towards the work to be performed by Abovenet in December 2004, with the remaining $750,000 to be paid no later than May 1, 2005. The Silicon Valley IBX Fiber Ring Agreement has an initial term from the time the fiber is available, which is expected to be March 2005, through May 2020. The Company has reflected the $2,550,000 payment for the Silicon Valley IBX Fiber Ring Agreement within both prepaids and other current assets and other assets (non-current) on the accompanying balance sheet as of December 31, 2004. Lastly, Abovenet, a customer of the Company's prior to entering into any of these agreements, expanded its customer contract with the Company to include being a customer in this new San Jose IBX (the "Abovenet Customer Contract"). The Company refers to this transaction as the "San Jose IBX Acquisition."

The Company is currently evaluating the accounting treatment for the San Jose IBX Acquisition, including its analysis of fair value for each of the individual elements involved in this transaction, and will have this evaluation completed in March 2005.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Balance Sheet Components

Cash, Cash Equivalents and Short-term and Long-Term Investments

Cash, cash equivalents and short-term and long-term investments consisted of the following as of December 31 (in thousands):

	2004	2003
Money market	$ 15,944	$ 9,254
U.S. government and agency obligations	38,048	4,043
Commercial paper	30,391	—
Corporate bonds	17,202	22,615
Auction rate securities	6,507	33,559
Other securities	—	3,500
Total available-for-sale securities	108,092	72,971
Less amounts classified as cash and cash equivalents	(25,938)	(26,869)
Total securities classified as investments	82,154	46,102
Less amounts classified as short-term investments	(64,499)	(46,102)
Total market value of long-term investments	$ 17,655	$ —

The original maturities of all short-term investments were less than one year as of December 31, 2004 and 2003. The original maturities of all long-term investments was greater than one year and less than two years with the exception of one long-term investment totaling $3,164,000, which had an original maturity of greater than two years and less than three years, as of December 31, 2004. As of December 31, 2004 and 2003, cash equivalents included investments in other securities with various contractual maturity dates that do not exceed 90 days. Gross realized gains and losses from the sale of securities classified as available-for-sale were not material for the years ended December 31, 2004, 2003 and 2002. For the purpose of determining gross realized gains and losses, the cost of securities is based upon specific identification.

As of December 31, 2004 and 2003, unrealized gains and losses were net losses of $92,000 and $4,000, respectively. As of December 31, 2004, the Company's net unrealized losses in its available-for-sale securities was comprised of the following (in thousands):

	Unrealized gains	Unrealized losses	Net unrealized losses
Cash and cash equivalents	$ —	$ —	$ —
Short-term investments	61	(87)	(26)
Long-term investments	1	(67)	(66)
	$ 62	$ (154)	$ (92)

There were no individual marketable securities which carried an unrealized loss for the past twelve consecutive months; however, there were seven marketable securities which carried an unrealized loss for at least six months. The net unrealized losses of these seven instruments was $51,000. These seven debt instruments have an aggregate fair value of $16,042,000 and are comprised of four corporate bonds rated AA or better, and three government agency securities. The Company has evaluated the credit risk of the securities which carried unrealized losses for six or more consecutive months. The credit risk of these instruments has not been adversely affected by a ratings downgrade and there has been no negative impact relating to the industry or sector of the issuers of these instruments. The government agency securities have continued to trade at consistent spreads over the past year, providing further indication that there has been no negative impact to these securities. The credit ratings of these securities remain within the Company's investment policy guidelines. Based upon this evaluation, the Company has determined that the unrealized losses are predominantly the result of rising interest rates relative to rates at the time the securities were purchased in the first half of 2004. This decline in value of these investments is primarily related to changes in interest rates and is considered to be temporary in nature, and as a result, the Company has continued to account for these as unrealized losses as of December 31, 2004. The Company's unrealized losses as of December 31, 2003 were not significant.

Certain auction rate securities have been reclassified from cash equivalents to short-term investments. Auction rate securities are variable rate bonds tied to short-term interest rates with maturities on the face of the securities in excess of ninety days. Auction rate securities have interest rate resets through a modified Dutch auction, at pre-determined short-term intervals, usually every seven, twenty-eight or thirty-five days. They trade at par and are callable at par on any interest payment date at the option of the issuer. Interest paid during a given period is based upon the interest rate determined during the prior auction.

Although these securities are issued and rated as long-term bonds, they are priced and traded as short-term instruments because of the liquidity provided through the interest rate reset. The Company had historically classified these instruments as cash equivalents if the period between interest rate resets was ninety days or less, which was based on our ability to either liquidate our holdings or roll our investment over to the next reset period.

Based upon the Company's re-evaluation of these securities, the Company has reclassified its auction rate securities, previously classified as cash equivalents, as short-term investments on the accompanying consolidated balance sheet as of December 31, 2003. This resulted in a reclassification from cash and cash equivalents to short-term investments of $33,559,000 on the December 31, 2003 consolidated balance sheet. In addition, purchases of short-term and long-term investments and sales of short-term investments, included in the accompanying consolidated statements of cash flows, have been revised to reflect the purchase and sale of auction rate securities during the periods presented. The Company accounts for its marketable securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Such investments are classified as "available-for-sale" and are reported at fair value in the Company's consolidated balance sheets. The short-term nature and structure, the frequency with which the interest rate resets and the ability to sell auction rate securities at par and at the Company's discretion indicates that such securities should more appropriately be classified as short-term investments with the intent of meeting the Company's short-term working capital requirements.

Accounts Receivable

Accounts receivable, net, consists of the following as of December 31 (in thousands):

	2004	2003
Accounts receivable	$ 26,119	$19,164
Unearned revenue	(13,863)	(8,671)
Allowance for doubtful accounts	(337)	(315)
	$ 11,919	$10,178

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Unearned revenue consists of pre-billing for services that have not yet been provided, but which have been billed to customers

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ahead of time in accordance with the terms of their contract. Accordingly, the Company invoices its customers at the end of a calendar month for services to be provided the following month.

Additions (reductions) to the allowance for doubtful accounts were approximately ($50,000), zero and $2,329,000 for the years ended December 31, 2004, 2003 and 2002, respectively. Charges (recoveries) against the allowance were approximately ($72,000), $82,000 and $2,313,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

Prepaids and Other Current Assets

Prepaids and other current assets consist of the following as of December 31 (in thousands):

	2004	2003
Prepaid rent	$ 1,830	$ —
Prepaid insurance	826	1,076
Prepaid other	1,112	906
Taxes receivable	728	948
Other current assets	230	209
	$ 4,726	$ 3,139

Prepaid rent as of December 31, 2004, primarily represented rent for January 2005 for the Company’s various U.S. IBX operating leases, which the Company paid in December 2004.

Property and Equipment

Property and equipment is comprised of the following as of December 31 (in thousands):

	2004	2003
Leasehold improvements	$ 402,620	$ 383,574
IBX plant and machinery	89,960	64,557
IBX equipment	47,437	40,023
Computer equipment and software	21,711	18,875
Furniture and fixtures	2,041	1,979
	563,769	509,008
Less accumulated depreciation	(220,408)	(165,454)
	$ 343,361	$ 343,554

Leasehold improvements, IBX plant and machinery and computer equipment and software recorded under capital leases aggregated $35,309,000 and zero as of December 31, 2004 and 2003, respectively. The Company recorded a capital lease in connection with its IBX expansion in the Washington, D.C. metro area during the fourth quarter of 2004 (see Note 3). Amortization on the assets recorded under capital leases is included in depreciation expense.

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 December 31, 2004 and December 31, 2003. Amortization of such warrants is included in depreciation expense.

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In December 2004, the Company wrote-off all remaining property and equipment, primarily leasehold improvements, located in the excess lease space on the floor above the Company's Los Angeles IBX totaling $3,816,000. The Company decided to exit from this excess lease space and these assets do not provide any ongoing benefit (see Note 17).

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of December 31 (in thousands):

	2004	2003
Accounts payable	$ 2,835	$ 3,833
Accrued compensation and benefits	5,969	3,655
Accrued taxes	3,376	2,539
Accrued property and equipment	2,912	2,454
Accrued utility and security	2,457	2,017
Accrued professional fees	1,741	1,281
Accrued other	1,738	2,273
	$ 21,028	$ 18,052

Other Current Liabilities

Other current liabilities consisted of the following as of December 31 (in thousands):

	2004	2003
Customer deposits	$ 3,229	$ 109
Deferred installation revenue	3,019	2,693
Other current liabilities	629	1,041
	$ 6,877	$ 3,843

A significant portion of customer deposits as of December 31, 2004, represents a customer's deposit towards an installation project at one of the Company's IBX centers. Upon completion of this installation project, this deposit will be reclassified to deferred installation revenue and amortized into revenue over the expected life of the customer relationship.

Deferred Rent and Other Liabilities

Deferred rent and other liabilities consisted of the following as of December 31 (in thousands):

	2004	2003
Deferred rent	$ 22,493	$ 19,889
Asset retirement obligations	3,054	1,559
Other liabilities	906	574
	$ 26,453	$ 22,022

The Company currently leases all but one of its IBX centers 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 has

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

negotiated rent expense abatement periods to better match the phased build-out 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.

5. Debt Facilities and Capital Lease Obligations

Debt facilities and capital lease obligations consisted of the following as of December 31 (in thousands):

	2004	2003
Washington, D.C. Metro Area IBX Expansion Capital Lease	$35,204	$ —
VLL Loan Amendment (net of unamortized discount of zero and $112 as of December 31, 2004 and 2003, respectively)	—	735
Heller Loan Amendment (net of unamortized discount of zero and $3 as of December 31, 2004 and 2003, respectively)	—	2,476
Orix Equipment Leases	—	201
	35,204	3,412
Less current portion	(675)	(2,689)
	$34,529	$ 723

Washington, D.C. Metro Area IBX Expansion Capital Lease

In April 2004, the Company entered into a long-term lease for a 95,000 square foot data center in the Washington, D.C. metro area. This lease, which includes the leasing of all of the IBX plant and machinery equipment located in the building, is classified as a capital lease (the "Washington, D.C. Metro Area IBX Expansion Capital Lease"). The Company took possession of this property during the fourth quarter of 2004, and as a result, recorded property and equipment assets, as well as a capital lease obligation, totaling $35,309,000. Monthly payments under this lease, which commenced in November 2004, will be made through 2019 at an effective interest rate of 8.50% per annum. As of December 31, 2004, principal of $35.2 million remained outstanding.

Venture Leasing Loan Agreement and VLL Loan Amendment

In August 1999, the Company entered into a Loan Agreement with Venture Lending & Leasing II, Inc. and other lenders ("VLL" and the "Venture Leasing Loan Agreement"). The Venture Leasing Loan Agreement provided financing for equipment and tenant improvements at the Newark, New Jersey IBX center and a secured term loan facility for general working capital purposes. The amount of financing provided was up to $10,000,000, which was allowed to be used to finance up to 85% of the projected cost of tenant improvements and equipment for the Newark IBX center. The full $10,000,000 was fully drawn during 1999. Notes issued beared interest at a rate of 8.5% per annum and were repayable in 42 monthly installments plus a final balloon interest payment equal to 15% of the original advance amount due at maturity and are collateralized by the assets of the Newark, New Jersey IBX. The Venture Leasing Loan Agreement had an effective interest rate of 14.7% per annum.

In connection with the Venture Leasing Loan Agreement, the Company granted VLL warrants to purchase 9,375 shares of the Company's common stock at $96.00 per share (the "VLL Warrants"). These warrants were immediately exercisable and expired on June 30, 2006. The fair value of the warrant using the Black-Scholes option pricing model with the following assumptions: deemed fair market value per share of $153.60, dividend

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yield 0%, expected volatility of 80%, risk-free interest rate of 5.0% and a contractual life of seven years, was $1,174,000. Such amount was recorded as a discount to the applicable debt, and is being amortized to interest expense, using the effective interest method, over the life of the agreement.

In October 2002, the Company amended the Venture Leasing Loan Agreement to secure certain short-term cash deferment benefits (the "VLL Loan Amendment"). Under the original terms of the Venture Leasing Loan Agreement, the Company borrowed $10,000,000 which was repayable over 42 months at 8.5% per annum plus a 15% balloon interest payment calculated on the original advance amount. Under the terms of the VLL Loan Amendment, the Company extended the maturity of the loan by 24 months. Commencing January 1, 2003, the Company re-amortized the remaining principal balance and related balloon interest payment over the amended 27-month period ending March 1, 2005. The VLL Loan Amendment had an effective interest rate of approximately 14.7% per annum.

In connection with the VLL Loan Amendment, the Company granted VLL warrants to purchase 32,187 shares of the Company's common stock at $0.32 per share (the "VLL Loan Amendment Warrants") and repriced the original remaining VLL Warrants, issued in August 1999, to have an exercise price of $0.32 versus the original $96.00 per share (the "Amended and Restated Original VLL Warrants"). Both the VLL Loan Amendment Warrants and the Amended and Restated Original VLL Warrants are immediately exercisable and the VLL Loan Amendment Warrants expire on October 11, 2007 and the Amended and Restated Original VLL Warrants expire on the original expiration date of June 30, 2006. The fair value of the VLL Loan Amendment Warrants using the Black-Scholes option-pricing model was approximately $220,000 with the following assumptions: fair market value per share of $7.04, dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 4.0% and a contractual life of five years. Such amount was recorded as a discount to the applicable debt based upon the guidance of APB Opinion No. 14 and will be amortized to interest expense, using the effective interest method, over the remaining life of the VLL Loan Amendment. Following the modification of the Amended and Restated Original VLL Warrants, an additional charge of approximately $45,000 was recorded as an additional debt discount representing the difference between the fair value of the modified option determined in accordance with the provisions of SFAS No. 123 and the value of the old warrants immediately before its terms were modified.

In March 2004, with the proceeds from the Convertible Subordinated Debentures (see Note 9), 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 Gain (Loss) on Debt Extinguishment and Conversion (see Note 10).

Heller Loan and Heller Loan Amendment

In June 2001, the Company obtained a $5,000,000 loan from Heller Financial Leasing, Inc. (the "Heller Loan"), which was fully drawn down at that time. Repayments on the Heller Loan were made over 36 months and interest accrued at 13.0% per annum. The Heller Loan was secured by certain equipment located in the New York metropolitan area IBX center.

In connection with the Heller Loan, the Company granted Heller Financial Leasing, Inc. a warrant to purchase 1,171 shares of the Company's common stock at $128.00 per share (the "Heller Warrant"). This warrant is immediately exercisable and expires in five years from the date of grant. The fair value of the warrant using the Black-Scholes option pricing model was $18,000 with the following assumptions: fair market value per

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share of $36.16, dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 5% and a contractual life of five years. Such amount was recorded as a discount to the applicable loan amount, and is being amortized to interest expense using the effective interest method, over the life of the loan.

In August 2002, the Company amended the Heller Loan to secure certain short-term cash deferment benefits (the "Heller Loan Amendment"). Under the terms of the Heller Loan Amendment, the Company extended the maturity of the loan by nine months. Commencing September 2002, the Company began to benefit from the reduction in monthly payments over the following 14 months thereby deferring approximately $1,200,000 of principal payments. Commencing November 2003, the deferred principal payments began to be repaid over the remaining 17 months of the loan ending March 2005. The Heller Loan Amendment had an effective interest rate of approximately 16.5% per annum.

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 Gain (Loss) on Debt Extinguishment and Conversion (see Note 10).

Orix Equipment Leases

In December 2002, as a result of the Pihana Acquisition (see Note 2), the Company acquired multiple capital leases in multiple currencies for various newly acquired subsidiaries of the Company in the U.S. and Asia-Pacific covered under a Master Lease Agreement with Sun Microsystems, Inc., which was subsequently assigned to Orix USA Corporation (the "Orix Equipment Leases"). The original amount financed under these capital leases was approximately $3,503,000 (as translated using effective exchange rates at December 31, 2002). These capital lease arrangements beared interest at an average rate of 6.4% per annum and were repayable over 30 months. As of December 31, 2004, all amounts outstanding under the Orix Equipment Leases have been paid in full.

Maturities

Combined aggregate maturities for future minimum capital lease obligations as of December 31, 2004 are as follows (in thousands):

2005	$ 3,642
2006	3,733
2007	3,826
2008	3,922
2009	4,020
Thereafter	45,287
	64,430
Less amount representing interest	(29,226)
	35,204
Less current portion	(675)
	$ 34,529

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. Senior Notes

On December 1, 1999, the Company issued 200,000 units, each consisting of a $1,000 principal amount 13% Senior Note due 2007 (the "Senior Notes") and one warrant to purchase 0.527578 shares (for an aggregate of 105,515 shares) of common stock for $0.2144 per share (the "Senior Note Warrants"), for aggregate net proceeds of $193,400,000, net of offering expenses. Of the $200,000,000 gross proceeds, $16,207,000 was allocated to additional paid-in capital for the deemed fair value of the Senior Note Warrants and recorded as a discount to the Senior Notes. The discount on the Senior Notes was being amortized to interest expense, using the effective interest method, over the life of the debt. The Senior Notes had an effective interest rate of 14.1% per annum. The fair value attributed to the Senior Note Warrants was consistent with the Company's treatment of its other common stock transactions prior to the issuance of the Senior Notes. The fair value was based on recent equity transactions by the Company at the time.

Interest was payable semi-annually, in arrears, on June 1 and December 1 of each year. The notes were unsecured, senior obligations of the Company and were effectively subordinated to all existing and future indebtedness of the Company, whether or not secured.

The Senior Notes were governed by the Indenture dated December 1, 1999, between the Company, as issuer, and State Street Bank and Trust Company of California, N.A., as trustee (the "Senior Note Indenture"). Subject to certain exceptions, the Senior Note Indenture restricted, among other things, the Company's ability to incur additional indebtedness and the use of proceeds therefrom, pay dividends, incur certain liens to secure indebtedness or engage in merger transactions.

During the first half of 2002, the Company retired $52,751,000 of Senior Notes plus forgiveness of $785,000 of accrued and unpaid interest thereon in exchange for 499,565 shares of the Company's common stock, valued at $18,351,000 based on the actual exchange dates of the Senior Notes and $2,511,000 of cash. The Company wrote-off a proportionate amount of unamortized debt issuance costs and debt discount associated with these Senior Notes totaling $1,293,000 and $3,093,000, respectively. The Company incurred debt extinguishment costs totaling approximately $1,100,000 in connection with the retirement of these Senior Notes and recognized a gain on these transactions of $27,188,000. We refer to these transactions as the "Senior Note Retirements." Refer to Gain (Loss) on Debt Extinguishment and Conversion (see Note 10).

In December 2002, the Company, in connection with, and as a condition to closing the Combination (see Note 2) and Financing (see Note 8), initiated an exchange offer to substantially reduce the amount of Senior Notes then outstanding in order to improve the Company's existing capital structure and reduce the amount of outstanding debt of the Company (the "Senior Note Exchange"). The Senior Note Exchange was contingent on both the Combination and Financing closing, all of which were subject to stockholder vote. The Combination, Financing and Senior Note Exchange closed on December 31, 2002, and the Company retired an additional $116,774,000 of Senior Notes plus forgiveness of $8,855,000 of accrued and unpaid interest thereon in exchange for 1,857,436 shares of the Company's common stock, valued at $12,482,000 based on the actual exchange date of the Senior Notes and $15,181,000 of cash. The Company wrote-off a proportionate amount of unamortized debt issuance costs and debt discount associated with these Senior Notes totaling $2,492,000 and $6,004,000, respectively. The Company incurred debt extinguishment costs totaling approximately $2,500,000 in connection with the retirement of these Senior Notes and recognized a gain on these transactions of $86,970,000. In conjunction with the Combination, Financing and Senior Note Exchange, the Company amended the Indenture in order to allow the Combination and Financing to occur. Refer to Gain (Loss) on Debt Extinguishment and Conversion (see Note 10).

In March 2004, with the proceeds from the Convertible Subordinated Debentures (see Note 9), 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 Gain (Loss) on Debt Extinguishment and Conversion (see Note 10).

7. Credit Facility

On December 20, 2000, the Company and a newly created, wholly-owned subsidiary of the Company, entered into a $150,000,000 Credit Facility (the "Credit Facility") with a syndicate of lenders. The Credit Facility consisted of the following:

- Term loan facility in the amount of $50,000,000. The outstanding term loan amount was required to be paid in quarterly installments beginning in March 2003 and ending in December 2005. The Company drew this down in January 2001.
- Delayed draw term loan facility in the amount of $75,000,000. The Company was required to borrow the entire facility on or before December 20, 2001. The outstanding delayed draw term loan amount was required to be paid in quarterly installments beginning in March 2003 and ending in December 2005. The Company drew this down in March 2001.
- Revolving credit facility in an amount up to $25,000,000. The outstanding revolving credit facility was required to be paid in full on or before December 15, 2005. The Company drew this down in June 2001.

The Credit Facility had a number of covenants, which included achieving certain minimum revenue targets and limiting cumulative EBITDA losses and maximum capital spending limits among others. As of September 30, 2001, the Company was not in compliance with one of these covenants. However, the syndicate of lenders provided a forbearance and, in October 2001, the Company successfully completed the renegotiation of the Credit Facility and amended certain of the financial covenants to reflect the prevailing economic environment as part of the Amended and Restated Credit Facility (the "Amended and Restated Credit Facility"). As required under this amendment, the Company repaid $50,000,000 of the $150,000,000 Credit Facility outstanding as of September 30, 2001, of which $25,000,000 represented a permanent reduction. As such, the Amended and Restated Credit Facility provided a total of $125,000,000 of debt financing and consisted of the following:

- Term loan facility, redesignated as tranche A, in the amount of $100,000,000, which represented the remaining $100,000,000 outstanding after repayment of the $50,000,000 in October 2001.
- Term loan facility, redesignated as tranche B, in the amount of $25,000,000, of which $5,000,000 was immediately drawn with the remaining $20,000,000 available for future draw. The remaining $20,000,000 was only available for drawdown commencing September 30, 2002 and only if the Company remained in full compliance with all covenants as outlined in the Amended and Restated Credit Facility, and met an additional EBITDA test. The ability to draw on the remaining $20,000,000 expired on December 31, 2002.

As of June 30, 2002, the Company was not in compliance with certain provisions, including the revenue covenant, of the Amended and Restated Credit Facility. As a result, in August 2002, the Company further amended the Amended and Restated Credit Facility (the "First Amendment to the Amended and Restated Credit Facility"). The most significant terms and conditions of the First Amendment to the Amended and Restated Credit Facility were as follows:

- The Company was granted a full waiver for the covenants that were not in compliance as of June 30, 2002. In addition, the amendment reset the minimum revenue and cash balance and maximum EBITDA loss covenants through September 30, 2002.

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- The Company agreed to repay $5,000,000 of the then outstanding balance of $105,000,000 as of June 30, 2002, which was designated as a tranche B term loan. This amount was repaid in August 2002. In addition, the remaining $20,000,000 available for borrowing under the Amended and Restated Credit Facility, also designated as a tranche B term loan, was permanently eliminated. As a result, the First Amendment to the Amended and Restated Credit Facility reduced the credit facility to a $100,000,000 credit facility, which was designated a tranche A term loan, and which remained fully outstanding as of September 30, 2002.
- The Company must convert at least $100,000,000 of Senior Notes into common stock or convertible debt on or before November 8, 2002. As of September 30, 2002, a total of $147,249,000 of Senior Note principal remained outstanding.

In November 2002, the lenders agreed to waive certain conditions of the First Amendment to the Amended and Restated Credit Facility (the “November 2002 Waiver”). The most significant terms and conditions of the November 2002 Waiver were as follows:

- The Company was granted a waiver to reset the minimum revenue and maximum EBITDA loss covenants through December 31, 2002 and the minimum cash balance covenant through March 31, 2003.
- The Company was granted a waiver, subject to certain conditions, of an event of default created by a minimum cash covenant default and a payment default, if any, in existence pursuant to a previously outstanding debt facility since paid off in full.
- The Company was granted a waiver of the covenant requiring the Company to convert $100,000,000 of Senior Notes by November 8, 2002.
- The Company was granted a waiver, subject to certain conditions, of a default or an event of default created by a failure by the Company to make the interest payment due on the Senior Notes in December 2002.

The November 2002 Waiver expired upon the earlier of the closing of the Second Amendment to the Amended and Restated Credit Facility, the termination of the Combination, or December 31, 2002, provided that if the sole reason the Combination has not closed by that date is as a result of pending regulatory and related approvals, the date may be extended for up to three successive 30-day periods, but such date shall not be extended past March 31, 2003.

On December 31, 2002, the Company closed the Combination (see Note 2), Financing (see Note 8) and Senior Note Exchange (see Note 6), and in conjunction, the Company further amended the First Amendment to the Amended and Restated Credit Facility (the “Second Amendment to the Amended and Restated Credit Facility”). The most significant terms and conditions of the Second Amendment to the Amended and Restated Credit Facility were as follows:

- the Company was granted a full waiver of previous covenant breaches and was granted consent to use cash in connection with the Senior Note Exchange (see Note 6);
- future revenue and EBITDA covenants were eliminated and the remaining minimum cash balance and maximum capital expenditure covenants and other ratios were reset consistent with the expected future performance of the combined company for the remaining term of the loan;
- the Company permanently repaid $8,490,000 of the then currently outstanding $100,000,000 balance, bringing the total amount owed under this facility to $91,510,000 as of December 31, 2002; and

- the amortization schedule for the remaining amount owed under this facility was amended such that the minimum amortization due in 2003-2004 was significantly reduced.

In November 2003, in connection with the Follow-on Equity Offering (see Note 12), the Company received consent from its senior lenders to amend the terms of Second Amendment to the Amended and Restated Credit Facility (the “Third Amendment to the Amended and Restated Credit Facility”). The most significant terms and conditions of the Third Amendment to the Amended and Restated Credit Facility are as follows:

- the Company permanently repaid $55.2 million of the then currently outstanding principal balance of $90.5 million;
- the banks agreed to amend the cash sweep provision, which was to commence on March 31, 2004 and would have required the Company to pay down its principal balance in an amount equal to 50% of any cash on the Company’s balance sheet in excess of $20.0 million. This provision was amended such that it will not commence until March 31, 2005 and will only be triggered on cash amounts in excess of $25.0 million; and
- the banks agreed to extend the term of the Third Amendment to the Amended and Restated Credit Facility from December 2005 to December 2006. In addition, the banks amended the amortization schedule.

Loans under the Third Amendment to the Amended and Restated Credit Facility beared interest at floating rates, plus applicable margins, based on either the prime rate or LIBOR. Interest rates on the First Amendment to the Amended and Restated Credit Facility were increased by 0.50% and the frequency of interest payments had been amended to monthly from quarterly, and such modifications remained in effect under the terms of the Third Amendment to the Amended and Restated Credit Facility.

Borrowings under the Third Amendment to the Amended and Restated Credit Facility were collateralized by a first priority lien against substantially all of the Company’s assets.

The costs related to the issuance of the Credit Facility were capitalized and were being amortized to interest expense using the effective interest method, over the life of the Credit Facility. As a result of amending and restating the Credit Facility multiple times from 2001 to 2003, the Company incurred additional lender fees, which had been added to debt issuance costs and were being amortized to interest expense using the effective interest method over the remaining life of the Third Amendment to the Amended and Restated Credit Facility. The Company applied EITF 96-19, “Debtor’s Accounting for a Substantive Modification and Exchange of Debt Instruments”, and concluded that the amendments to the Credit Facility were not substantive.

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 Gain (Loss) on Debt Extinguishment and Conversion (see Note 10).

8. Convertible Secured Notes

The Financing

In conjunction with the Combination (see Note 2), STT Communications made a $30,000,000 strategic investment in the Company (the “Financing”) in the form of a convertible secured note (the “Convertible Secured

Note"), convertible into shares of preferred stock, with a detachable warrant for the further issuance of 965,674 shares of preferred stock (the "Convertible Secured Note Warrant"). The Convertible Secured Note bears non-cash interest at a rate of 14% per annum, payable semi-annually in arrears on May 1 and November 1, and have an initial term through November 2007. Interest on the Convertible Secured Note will be payable in kind in the form of additional convertible secured notes having a principal amount equal to the amount of interest then due having terms which are identical to the terms of the Convertible Secured Note (the "PIK Notes") (collectively, the "STT Convertible Secured Notes").

The Convertible Secured Note Warrant was valued at $4,646,000, which was recorded as a discount to the debt principal. The fair value of the Convertible Secured Note Warrant was calculated under the provisions of APB 14 and determined using the Black-Scholes option-pricing model under the following assumptions: contractual life of five years, risk-free interest rate of 4%, expected volatility of 135% and no expected dividend yield. The Company has considered the guidance 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 Secured 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 agreement. The allocated value to the Convertible Secured Note Warrant of $4,646,000 will be amortized using the effective interest rate method to interest expense over the five-year term of the Convertible Secured Note.

The Convertible Secured Note was secured by (i) a first priority security interest in i-STT's assets and Pihana's Singapore assets and by a pledge of the stock of i-STT's subsidiaries and (ii) by a second priority security interest in all of the collateral securing the Company's obligations under the Credit Facility, as amended. The Convertible Secured Note was guaranteed by all of the Company's existing subsidiaries and by all of the Company's future domestic subsidiaries. In November 2004, the Company and STT Communications entered into an Omnibus Amendment Agreement in which STT Communications' security interests in the Company in connection with the Financing were lifted, except for one of the Company's cash accounts, secured in the amount of any outstanding STT Convertible Secured Notes plus six months of forward-looking interest.

The Convertible Secured Note, the Convertible Secured Note Warrant and any outstanding PIK Notes can be converted into shares of the Company's Series A or Series A-1 preferred stock at a price of $9.1779 per underlying share at any time at the option of STT Communications (the "Conversion Price"). The Conversion Price will be adjusted to mitigate or prevent dilution, dividends are declared, or the Company issues, or contracts to issue, shares of the Company's common stock at a price per share below the Conversion Price. After December 31, 2004 and through December 31, 2005, the Company may convert 95% of the Convertible Secured Note and after December 31, 2005, the Company may convert 100% of the Convertible Secured Note, if:

- the closing price of the Company's common stock exceeds $32.1235 for thirty consecutive trading days;
- the average daily trading volume of the Company's common stock during that thirty day trading window exceeds 17,188; and
- the Company has caused a registration statement to become effective under the Securities Act which provides for the resale by the noteholders of the shares of the Company's common stock issued or issuable upon conversion.

The Company must offer to purchase the Convertible Secured Note and any outstanding PIK Notes together with any accrued and unpaid interest if the Company experiences a change of control, as defined. In addition, in connection with the Financing, the Company issued a warrant to STT Communications, which will become exercisable if the Company does experience a change of control (the "Change in Control Warrant"). The Change of Control Warrant, which has an exercise price of $0.01 per share and a contractual life of five years, is contingently exercisable for shares of the Company's common stock with a total current market value of up to 20% of:

- the $30,000,000 principal amount of the Convertible Secured Note, plus
- the principal amount of any issued and outstanding PIK Notes, minus
- the principal amount of any portion of the Convertible Secured Note which has been converted into shares of the Company's capital stock or repaid in cash, plus
- accrued and unpaid interest on any then outstanding portion of the Convertible Secured Note.

Furthermore, the Company, in order to provide a mechanism to allow STT Communications to ensure the Company's compliance with covenants under the Second Amendment to the Amended and Restated Credit Facility, as amended (see Note 7), issued two additional warrants to STT Communications in conjunction with the Financing, which are no longer outstanding as a result of the Company paying off the Credit Facility in full in February 2005 (see Note 7). These two additional warrants, comprised of the Series A Cash Trigger Warrant and the Series B Cash Trigger Warrant (collectively, the "Cash Trigger Warrants"), were contingently exercisable if the Company (i) did not have sufficient funds to pay, and failed to pay when due, any principal, interest, fee or other amount due under the Second Amendment to the Amended and Restated Credit Facility, as amended, or (ii) breached the Company's obligations to maintain certain minimum cash balances under the terms of the Second Amendment to the Amended and Restated Credit Facility, as amended. The Cash Trigger Warrants, which were to have a contractual life for as long as the Company had any remaining amounts due under the Second Amendment to the Amended and Restated Credit Facility, as amended, would have had an exercise price and be exercisable for shares of the Company's common stock valued at up to $30,000,000 as follows:

- The Series A Cash Trigger Warrant would have had a value of $10,000,000, with an exercise price per share which was the lesser of (i) $9.792 or (ii) 90% of the then current market value of shares of the Company's common stock. The $9.792 exercise price of the Series A Cash Trigger Warrant would have been adjusted to mitigate or prevent dilution if fundamental changes occured to the Company's common stock, dividends were declared, or the Company issued, or contracted to issue, shares of the Company's common stock at a price per share below $9.792.
- The Series B Cash Trigger Warrant would have had a value of $20,000,000, with an exercise price per share equal to 90% of the then current market value of shares of the Company's common stock.

The holder of the Cash Trigger Warrants, STT Communications, had no obligation to exercise such warrants. If the Cash Trigger Warrants were exercised based on the inability to pay any principal, interest or fees due under the Second Amendment to the Amended and Restated Credit Facility, as amended, the Cash Trigger Warrants would have been exercisable for not less than $5,000,000 and not more than $5,000,000 plus the amount of the missed payment. If the Cash Trigger Warrants were exercised on the inability of the Company to maintain certain minimum cash balances under the terms of the Second Amendment to the Amended and Restated Credit Facility, as amended, the Cash Trigger Warrants would have been exercisable for not less than $5,000,000 and not more than $5,000,000 plus any shortfall in the Company's minimum cash balance requirement.

The Company applied EITF 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments", and EITF 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", and concluded that neither a commitment date, or a measurement date, had occurred when the Financing was closed as of December 31, 2002 in relation to the Change in Control

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Warrant and the Cash Trigger Warrants. As a result, the Change in Control Warrant and the Cash Trigger Warrants have been treated, and will continue to be treated, as unissued for accounting purposes until such time as the events that trigger the right to the issuance of shares of the Company's stock as outlined in these warrants have occurred, if ever.

During 2003 and 2004, the Company issued four PIK Notes to STT Communications totaling $8,466,000. The terms of the PIK Notes are identical to the terms of the Convertible Secured Note issued on December 31, 2002. The PIK Notes are 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 Notes 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 stock conversion ratio outlined in the Financing agreement. As of December 31, 2004, the Company had a total of $38,466,000 of principal outstanding for the STT Convertible Secured Notes, which are presented net of remaining discount as $35,824,000 on the accompanying balance sheet as of December 31, 2004.

The STT Convertible Secured Notes were convertible into 4,191,193 shares of the Company's preferred and common stock as of December 31, 2004.

The costs related to the Financing were capitalized and are being amortized to interest expense using the effective interest method, over the life of the Convertible Secured Note. Debt issuance costs, net of amortization, were $336,000 and $455,000 as of December 31, 2004 and 2003, respectively.

In January 2005, the Company converted 95% of the outstanding STT Convertible Secured Notes and accrued and unpaid interest through February 14, 2005, into 4,144,216 shares of the Company's stock (see Note 18).

The Crosslink Financing

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

The Crosslink Convertible Secured Notes were convertible into shares of the Company's common stock at a price of $4.00 per underlying share at any time at the option of the holders. The Crosslink PIK Notes were to be convertible into shares of the Company's common stock at a price of $4.84 per underlying share at any time at the option of the holders. Such conversion prices were to have been adjusted to mitigate or prevent dilution, if dividends were declared on the Company's common stock or the Company issued, or contracted to issue, shares of the Company's common stock at a price per share below $4.84 per share.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

The Crosslink Convertible Secured Notes shared with the Company’s Convertible Secured Note issued on December 31, 2002, in connection with the Financing, a second priority security interest in all of the collateral securing the Company’s obligations under the Second Amendment to the Amended and Restated Credit Facility.

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

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 and the fact that the Crosslink Financing had the Crosslink Beneficial Conversion Feature, the Company recognized a loss on debt conversion on this transaction of $7,610,000, representing the write-off of unamortized debt discount, in accordance with EITF Issue 00-27 “Application of Issue No. 98-5 to Certain Convertible Instruments.” Refer to Gain (Loss) on Debt Extinguishment and Conversion (see Note 10).

9. 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 December 31, 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;
- 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 December 31, 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 $2,651,000 as of December 31, 2004.

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10. Gain (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 year ended December 31, 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)

As a result of the Senior Note Retirements and Senior Note Exchange, the Company recognized a substantial gain on debt extinguishment totaling $114,158,000 for the year ended December 31, 2002, as summarized below (in thousands):

	Senior note retirements	Senior note exchange	Total
Reduction in senior note principal	$ 52,751	$116,774	$169,525
Reduction in accrued interest	785	8,855	9,640
Value of common stock issued	(18,351)	(12,482)	(30,833)
Cash payment of senior note principal	(2,511)	(15,181)	(17,692)
Write-off of debt issuance costs and discounts	(4,386)	(8,496)	(12,882)
Other transaction costs	(1,100)	(2,500)	(3,600)
	$ 27,188	$ 86,970	$114,158

11. Silicon Valley Bank Credit Line

In December 2004, the Company entered into a $25,000,000 line of credit arrangement with Silicon Valley Bank that matures in December 2006 (the “Silicon Valley Bank Credit Line”). This facility is a $25,000,000 revolving line of credit which, at the Company’s election, up to $10,000,000 may be converted into a 24-month term loan, repayable in eight quarterly installments. Borrowings under the Silicon Valley Bank Credit Line bear interest at floating interest rates plus applicable margins over the LIBOR rate or the greater of the bank’s prime rate or 4.0%. If the Company elects to convert any revolving borrowings into a 24-month term loan, the applicable margin upon conversion to a term loan would be increased by 0.25% per annum.

As of December 31, 2004 and through the date of filing of this report on Form 10-K, there were no borrowings outstanding under the Silicon Valley Bank Credit Line. If the Company had elected to borrow under the Silicon Valley Bank Credit Line at December 31, 2004, the Company would have had an interest rate of 4.40% per annum. The Silicon Valley Bank Credit Line also features sublimits, which enable the Company to issue letters of credit (the “Letters of Credit Sublimit”), enter into foreign exchange forward contracts and make advances for cash management services. The Company’s utilization under any of these sublimits would have the effect of reducing the amount available for borrowing under the Silicon Valley Bank Credit Line during the period that such sublimits remain utilized and outstanding. As of December 31, 2004 the Company had utilized $3,172,000 under the Letters of Credit Sublimit with the issuance of three letters of credit and, as a result, reduced the amount of borrowings available to the Company from $25,000,000 to $21,828,000. As of December 31, 2004, there has been no other utilization among the other sublimits.

The Silicon Valley Bank Credit Line is secured by the Company's domestic assets except that such security interest does not include real and intellectual property. The Silicon Valley Bank Credit Line has several covenants, including financial covenants that are subject to a quarterly test and which require the Company to maintain a minimum cash balance, a 6-month cumulative revenue target and a minimum operating cash flow target. The Silicon Valley Bank Credit Line is furthermore subject to a tiered financial covenant test, Covenant Levels 1 and 2, which are also reflected in the applicable borrowing margins that are available to the Company. As of December 31, 2004, the Company was still subject to Covenant Level 1. In January 2005, the Company converted 95% of the outstanding STT Convertible Secured Notes and accrued and unpaid interest, into 4,144,216 shares of the Company's preferred stock (see Note 18). As a result of this conversion, the Company became subject to Covenant Level 2 and the applicable borrowing margin was reduced by 0.25% per annum. In addition, two of the financial covenants are adjusted during Covenant Level 2 such that the minimum cash balance is increased and the minimum operating cash flow target is removed. As of December 31, 2004, the Company was in compliance with all covenants in connection with the Silicon Valley Bank Credit Line.

The costs incurred related to the Silicon Valley Bank Credit Line were capitalized and are being amortized to interest expense using the effective interest method over the life of the Silicon Valley Bank Credit Line. These debt issuance costs, net of amortization, were $177,000 as of December 31, 2004.

12. Stockholders' Equity

In December 2002, the Company amended and restated its Certificate of Incorporation to change the authorized share capital to 300,000,000 shares of common stock and 100,000,000 shares of preferred stock, of which 25,000,000 has been designated Series A, 25,000,000 has been designated as Series A-1 and 50,000,000 is undesignated.

Preferred Stock

On December 31, 2002, as a result of the i-STT Acquisition (see Note 2), the Company issued 1,868,667 shares of Series A preferred stock to STT Communications. As of December 31, 2004, this preferred stock had a total liquidation value of $18,298,000.

The rights, preferences and privileges of the Series A and Series A-1 preferred stock are as follows:

Voting Rights. Holders of Series A preferred stock are entitled to one vote for each share of common stock into which such preferred stock could then be converted. Except as otherwise provided by the Delaware General Corporation Law, Series A-1 preferred stock shall have no voting rights. Until the earlier of either December 31, 2004 or the date on which less than 100 shares of the Company's Series A preferred stock remain outstanding, the holders of shares of Series A preferred stock were entitled to elect a number of directors at any election of directors, as follows:

- three directors for so long as the holders of Series A preferred stock collectively beneficially own at least 30% of the Company's outstanding voting stock;
- two directors for so long as the holders of Series A preferred stock collectively beneficially own at least 15% of the Company's outstanding voting stock;
- one director for so long as the holders of Series A preferred stock collectively beneficially own at least 100 shares of the Company's outstanding voting stock; and

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- no directors at such time as the holders of Series A preferred stock collectively beneficially own less than 100 of the Company's outstanding voting stock.

Effective December 31, 2004, these voting rights expired.

Dividend Rights. Holders of Series A preferred stock and Series A-1 preferred stock are entitled to receive an amount equal to any dividend paid on the Company's common stock as may be declared from time to time by the Company's board of directors.

Liquidation Rights. In the event of the Company's liquidation, dissolution or winding up, the Company's assets available for distribution to stockholders will be distributed to holders of common stock, Series A preferred stock and Series A-1 preferred stock on a pro rata basis, based on the number of shares of common stock held by each assuming full conversion of Series A preferred stock and Series A-1 preferred stock, until holders of Series A preferred stock and Series A-1 preferred stock have received $9.792 per share of Series A preferred stock and Series A-1 preferred stock, plus the amount of any declared but unpaid dividends for each share of Series A preferred stock and Series A-1 preferred stock. Thereafter, any remaining available assets for distribution to stockholders will be distributed among the holders of the Company's common stock pro rata based on the number of shares of common stock held by each.

Redemption Rights. Beginning after December 31, 2009, the Company may at any time it may lawfully do so, at the option of the Company's board of directors, redeem some or all of the Series A preferred stock or Series A-1 preferred stock, on a pro rata basis, at a price in cash per share equal to the number of shares of the Company's common stock into which such share may then be converted multiplied by the average closing sale price of the Company's common stock on The Nasdaq National Market (or any trading system on which the Company's common stock may then trade) over the 30 consecutive trading day period ending five trading days prior to the date of redemption. There are no sinking fund provisions applicable to the Company's Series A preferred stock or Series A-1 preferred stock.

Conversion and Other Rights. The Company's Series A preferred stock is convertible at any time into shares of common stock on a one-for-one basis. The Company's Series A-1 preferred stock is convertible into Series A preferred stock or shares of common stock on a one-for-one basis as long as the conversion of the Series A-1 preferred stock will not cause STT Communications to hold more than 40% of outstanding voting stock; however, this restriction was lifted subsequent to December 31, 2004. Notwithstanding this limitation, and except for limitations imposed by the HSR Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the Company's Series A-1 preferred stock is convertible into Series A preferred stock or common stock in the following circumstances:

- STT Communications makes a fully financed tender offer for all of the Company's outstanding stock and at least 50% of the outstanding shares not held by STT Communications are tendered;
- the Company commences bankruptcy or reorganization proceedings;
- a third party obtains a 15% interest in the Company;
- the Company agrees to sell a 15% or greater interest in the Company to a third party;
- the Company sells all or substantially all of its assets, or enters into an agreement to sell all or substantially all of its assets;
- a third party commences a bona fide, fully financed tender offer;
- STT Communications' nominees are not elected to our board of directors despite STT Communications voting in favor of such nominees;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- the Company breaches certain material agreements with STT Communications contained in the Financing or Combination agreements (see Notes 2 and 8);
- STT Communications' interest in the Company falls below 10%; or
- the Cash Trigger Warrants are exercised (see Note 8).

In addition, the Company may force all but 100 shares of the Company's Series A preferred stock and all shares of Series A-1 preferred stock (subject to the conversion restrictions described above) to convert into shares of the Company's common stock after the Company reports four consecutive quarters of net income.

The Company's Series A and Series A-1 preferred stock have no preemptive or other subscription rights.

Common Stock

On November 21, 2003, the Company sold 5,524,780 shares of common stock at a purchase price of $20.00 per share, which resulted in net proceeds to the Company of $104.4 million. We refer to this transaction as the follow-on equity offering (the "Follow-on Equity Offering).

Upon the exercise of certain unvested stock options, the Company issued to employees common stock which is subject to repurchase by the Company at the original exercise price of the stock option. This right lapses over the vesting period. As of December 31, 2004 and 2003, there were zero and 150 shares, respectively, subject to repurchase.

As of December 31, 2004, the Company has reserved the following shares of authorized but unissued shares of common stock for future issuance:

Conversion of convertible secured notes	4,191,193
Conversion of convertible subordinated debentures	2,183,548
Conversion of issued and outstanding preferred stock	1,868,667
Conversion of preferred stock warrant	965,674
Common stock warrants	290,110
Common stock options	5,569,142
Common stock purchase plans	500,353
	15,568,687

Employee Stock Purchase Plans

In May 2000, the Company adopted the 2000 Employee Stock Purchase Plan (the "Purchase Plan") under which 31,250 shares were reserved for issuance thereafter. On each January 1, the number of shares in reserve will automatically increase by 2% of the total number of shares of common stock outstanding at that time, or, if less, by 600,000 shares. The Purchase Plan permits purchases of common stock via payroll deductions. The maximum payroll deduction is 15% of the employee's cash compensation. Purchases of the common stock will occur on January 31 and July 31 of each year. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The value of the shares purchased in any calendar year may not exceed $25,000.

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 14 and August 14 of each year, commencing February 14, 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 on a combined basis for the 2004 Employee Stock Purchase Plan and the 2000 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.

The 2000 Employee Stock Purchase Plan was succeeded by the 2004 Employee Stock Purchase Plan and after January 1, 2005, no additional shares will be added to the 2000 Employee Stock Purchase Plan. The last purchase under the 2000 Employee Stock Purchase Plan will be on January 31, 2006, at which time this original Purchase Plan will cease.

For the year ended December 31, 2004, 314,637 shares were issued under the Purchase Plan at a weighted average purchase price of $4.24 per share. For the year ended December 31, 2003, 191,307 shares were issued under the Purchase Plan at a weighted average purchase price of $2.98 per share. For the year ended December 31, 2002, 16,689 shares were issued under the Purchase Plan at a weighted average purchase price of $24.84 per share.

Stock Option Plans

In September 1998, the Company adopted the 1998 Stock Plan. In May 2000, the Company adopted the 2000 Equity Incentive Plan and 2000 Director Stock Option Plan; and in September 2001, the Company adopted the 2001 Supplemental Stock Plan (collectively, the "Plans") under which nonstatutory stock options and restricted stock may be granted to employees, outside directors, consultants, and incentive stock options may be granted to employees. Accordingly, the Company reserved a total of 5,708,326 shares of the Company's common stock for issuance upon the grant of restricted stock or exercise of options granted in accordance with the Plans. On each January 1, commencing with the year 2001, the number of shares in reserve will automatically increase by 6% of the total number of shares of common stock that are outstanding at that time or, if less, by 6,000,000 shares for the 2000 Equity Incentive Plan and by 50,000 shares for the 2000 Director Stock Option Plan. Options granted under the Plans generally expire 10 years following the date of grant and are subject to limitations on transfer. The Plans are administered by the Board of Directors.

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Plans provide for the granting of incentive stock options at not less than 100% of the fair market value of the underlying stock at the grant date. Nonstatutory options may be granted at not less than 85% of the fair market value of the underlying stock at the date of grant. The Plans also provide for the issuance of stock, including restricted stock awards.

Option grants under the Plans are subject to various vesting provisions, all of which are contingent upon the continuous service of the optionee and may not impose vesting criterion more restrictive than 20% per year. Stock options may be exercised at anytime subsequent to grant. Stock obtained through exercise of unvested options is subject to repurchase at the original purchase price. The Company's repurchase right decreases as the shares vest under the original option terms.

Options granted to stockholders who own greater than 10% of the outstanding stock must have vesting periods not to exceed five years and must be issued at prices not less than 110% of the fair market value of the stock on the date of grant as determined by the Board of Directors.

A summary of the Plans is as follows:

	Shares available for grant	Number of shares	Weighted-average exercise price per share
Balances, December 31, 2001	3,903,813	653,160	$ 74.26
Additional shares authorized	934,651	—	—
Options granted	(147,244)	147,244	26.75
Options exercised	—	(12,965)	8.67
Options forfeited	61,618	(61,618)	77.66
Balances, December 31, 2002	4,752,838	725,821	65.51
Additional shares authorized	556,921	—	—
Options granted	(3,275,295)	3,275,295	5.52
Options exercised	—	(383,198)	4.02
Options forfeited	209,980	(209,980)	20.08
Balances, December 31, 2003	2,244,444	3,407,938	17.56
Additional shares authorized	955,066	—	—
Options granted	(1,523,200)	1,523,200	29.78
Options exercised	—	(1,038,306)	5.74
Options forfeited	91,038	(91,038)	28.50
Balances, December 31, 2004	1,767,348	3,801,794	25.42

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes information about stock options outstanding as of December 31, 2004:

	Outstanding			Exercisable	
Range of exercise prices	Number of shares	Weighted-average remaining contractual life	Weighted-average exercise price	Number of shares	Weighted-average exercise price
$ 2.13 to $ 3.00	136,482	8.13	$ 2.97	65,183	$ 2.93
$ 3.14 to $ 3.39	1,198,361	8.18	3.25	393,141	3.25
$ 4.02 to $ 5.70	15,034	8.17	5.28	5,352	5.50
$ 7.36 to $ 10.24	40,194	8.37	8.53	18,517	8.48
$ 12.16 to $ 18.00	468,235	8.33	16.47	247,306	15.54
$ 18.61 to $ 27.86	542,278	8.97	25.94	117,162	25.57
$ 28.48 to $ 41.60	1,145,405	8.94	30.98	267,220	29.97
$ 42.24 to $ 76.00	36,825	6.39	55.13	32,922	55.23
$ 85.33 to $128.00	79,531	5.87	115.51	77,631	115.67
$140.00 to $208.00	103,661	5.40	145.99	103,609	145.98
$224.00 to $384.00	35,788	5.54	232.61	35,788	232.61
	3,801,794	8.37	25.42	1,363,831	37.21

The weighted-average remaining contractual life of options outstanding at December 31, 2004 and December 31, 2003 was 8.37 years and 8.91 years, respectively. The weighted-average exercise price of options outstanding at December 31, 2004 and December 31, 2003 was $25.42 and $17.56, respectively.

Stock-Based Compensation

Employees

The Company uses the intrinsic-value method prescribed in APB No. 25 in accounting for its stock-based compensation arrangements with employees. Stock-based compensation expense is recognized for employee stock option grants in those instances in which the deemed fair value of the underlying common stock was subsequently determined to be greater than the exercise price of the stock options at the date of grant. In September 2003, the Compensation Committee of the Board of Directors awarded a stock option grant to the Company's chief executive officer to purchase 350,000 shares of the Company's common stock at an exercise price of $17.70, a 15% discount to the then fair market value of the Company's common stock on the date of grant. This resulted in the Company recording a new deferred stock-based compensation charge of $1,093,000, which will be amortized to stock-based compensation expense over the three-year vesting life of this grant. In total, the Company recorded deferred stock-based compensation, net of forfeitures, related to employees of $695,000 and $983,000 for the years ended December 31, 2004 and 2003, respectively. A total of $1,459,000, $2,818,000 and $6,859,000 has been amortized to stock-based compensation expense for the years ended December 31, 2004, 2003 and 2002, respectively, on an accelerated basis over the vesting period of the individual options, in accordance with FASB Interpretation No. 28.

Non-Employees

The Company uses the fair value method to value options granted to non-employees. In connection with its grant of options to non-employees, the Company recorded no deferred stock-based compensation for the year ended December 31, 2004; however, the Company recognized an increase in deferred stock-based compensation of $89,000 for the year ended December 31, 2003. A total of $8,000, $87,000 and $19,000 has been amortized to stock-based compensation expense for the years ended December 31, 2004, 2003, and 2002, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

There were no non-employee stock options grants during 2004 or 2002. There was one non-employee stock option grant during 2003. The Company's calculations for non-employee grants were made using the Black-Scholes option-pricing model with the following weighted average assumptions for the years ended December 31:

	2004	2003	2002
Dividend yield	—	0%	—
Expected volatility	—	110%	—
Risk-free interest rate	—	4.62%	—
Contractual life (in years)	—	10.00	—

Warrants

In January 2000, the Company entered into an operating lease agreement for its new corporate headquarters facility in Mountain View, California. In connection with the lease agreement, the Company granted the lessor a warrant to purchase up to 1,034 shares of the Company's common stock at $192.00 per share (the "Headquarter Warrant"). The warrant expires 10 years from the date of grant. The warrant was valued at $186,000 using the Black-Scholes option pricing model and was recorded as additional rent expense during the Company's lease term at that location (the Company terminated this lease and moved its headquarters to Foster City in March 2003). The following assumptions were used in determining the fair value of the warrant: deemed fair value per share of $209.60, dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 6.0% and a contractual life of 10 years.

In April 2000, the Company entered into a definitive agreement with a fiber carrier whereby the fiber carrier agreed to install high-bandwidth local connectivity services to a number of the Company's IBX centers in exchange for colocation space and related benefits in such IBX centers. In connection with this agreement, the Company granted the fiber carrier a warrant to purchase up to 16,875 shares of the Company's common stock at $128.00 per share (the "Fiber Warrant"). The warrant was immediately exercisable and expires five years from date of grant. A total of 4,375 shares were immediately vested and the remaining 12,500 shares are subject to repurchase at the original exercise price if certain performance commitments are not completed by a pre-determined date. The fiber carrier is not obligated to install high-bandwidth local connectivity services and, apart from forfeiting the relevant number of shares and colocation space, will not be penalized for not installing. The warrant was initially valued at $5,372,000 using the Black-Scholes option-pricing model and had been recorded initially to construction in progress until installation was completed. The following assumptions were used in determining the fair value of the warrant: deemed fair market value per share of $378.24, dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 6.56% and a contractual life of 5 years. Under the applicable guidelines in EITF 96-18, the underlying shares of common stock associated with these warrants subject to repurchase are revalued at each balance sheet date to reflect their current fair value until the performance commitment is complete. As of December 31, 2004, a total of 1,562 shares remain unearned. As the Company has no plans to construct any additional IBX centers in the foreseeable future, the value of these unearned shares is reflected in other assets on the accompanying balance sheets totaling $1,000 and $7,000 as of December 31, 2004 and 2003, respectively.

In June 2000, the Company entered into a memorandum of understanding with COLT Telecommunications ("Colt") whereby Colt agreed to install high-bandwidth local connectivity services to a number of the Company's European IBX centers in exchange for colocation space and related benefits in such IBX centers. In connection with this agreement, the Company granted Colt a warrant to purchase up to 7,813 shares of the Company's common stock at $170.67 per share (the "Colt Warrant"). The warrant was immediately exercisable and expires

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

five years from the date of grant. The shares are subject to repurchase at the original exercise price if certain performance commitments are not completed by a pre-determined date. Colt is not obligated to install high-bandwidth local connectivity services and, apart from forfeiting the relevant number of shares and colocation space, will not be penalized for not installing. The warrant was initially valued at $2,795,000 using the Black-Scholes option-pricing model and was initially recorded to construction in progress. The following assumptions were used in determining the fair value of the warrants: deemed fair market value per share of $434.56, dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 6.23% and a contractual life of 5 years. Under the applicable guidelines in EITF 96-18, the underlying shares of common stock associated with this warrant subject to repurchase are revalued at each balance sheet date to reflect their current fair value until the performance commitment is complete. As of December 31, 2004, the Colt Warrant remains unearned as a result of the Company's revised European services strategy (see Note 14). As a result, the value of these unearned shares is now reflected in other assets on the accompanying balance sheet totaling $1,000 and $27,000 as of December 31, 2004 and 2003, respectively.

In June 2000, the Company entered into a strategic agreement with WorldCom and UUNET, an affiliate of WorldCom (the "UUNET Strategic Agreement"), which amended, superseded and restated the definitive agreement entered into with WorldCom in November 1999. Under the UUNET Strategic Agreement, WorldCom agreed to install high-bandwidth local connectivity services and UUNET agreed to provide high-speed data entrance facilities to a number of the Company's IBX centers in exchange for colocation services and related benefits in such IBX centers. In connection with this strategic agreement, the Company granted WorldCom Venture Fund a warrant (the "WorldCom Venture Fund Warrant") to purchase up to 20,313 shares of Company's common stock at $170.67 per share. The WorldCom Venture Fund Warrant was immediately exercisable and expired five years from the date of grant. The warrant was subject to repurchase at the original exercise price if certain performance commitments were not completed by a pre-determined date. WorldCom and UUNET were not obligated to install high-bandwidth local connectivity services and provide high-speed data entrance facilities, respectively, and, apart from forfeiting the relevant number of shares and colocation space, were not to be penalized for not performing. The warrant was initially valued at $7,255,000 using the Black-Scholes option-pricing model and had been recorded initially to construction in progress until installation was complete. The following assumptions were used in determining the fair value of the warrant: deemed fair market value per share of $434.56, dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 6.23% and a contractual life of 5 years. In September 2001, the Company amended and restated the Worldcom Venture Fund Warrant, issued in June 2000, and reduced the total number of shares available to purchase to 9,219 shares of the Company's common stock at $170.56 per share, which had been previously earned.

In addition, the Company has issued several warrants in connection with its debt facilities and capital lease obligations (see Note 5), the Senior Notes (see Note 6), the Amendment to the Hong Kong IBX Lease (see Note 14) and the Pihana Acquisition (see Note 2).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has the following common stock warrants outstanding as of December 31, 2004:

	Underlying shares outstanding	Exercise price	Expiration date
Common stock warrants:			
Fiber Warrant	16,875	$ 128.00	March 31, 2005
Other warrant	186	160.00	May 1, 2005
Colt Warrant	7,813	170.67	June 20, 2005
Pihana Shareholder Warrants	133,442	191.81	October 29, 2005
Heller Warrant	1,172	128.00	June 26, 2006
Worldcom Venture Fund Warrant	9,219	170.56	September 24, 2006
Amended and Restated Original VLL Warrants	845	0.32	October 11, 2007
VLL Loan Amendment Warrants	2,906	0.32	October 11, 2007
Senior Note Warrants	16,618	0.21	December 1, 2007
Headquarter Warrant	1,034	192.00	January 28, 2010
Hong Kong Lease Amendment Warrants	100,000	15.00	May 17, 2011
	290,110		

In addition to the above common stock warrants outstanding as of December 31, 2004, the Company also has several additional warrants issued in connection with the Financing, which are comprised of the Convertible Secured Note Warrant and the Change in Control Warrants (see Note 8). The Change in Control Warrants are contingently issuable.

13. Income Taxes

Income or loss before income taxes is attributable to the following geographic locations for the years ended December 31 (in thousands):

	2004	2003	2002
United States	$(60,319)	$(68,807)	$(21,013)
Foreign	(8,159)	(15,364)	(605)
Loss before income taxes	$(68,478)	$(84,171)	$(21,618)

No provision for federal income taxes was recorded from inception through December 31, 2003 as the Company incurred net operating losses (“NOL”) during this period. However, there was $153,000 of tax provision primarily recorded for the Company’s foreign operations for the year ended December 31, 2004.

State tax expense not based on income is included in general and administrative expenses and the aggregated amount is immaterial for the years ended December 31, 2004, 2003 and 2002.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The fiscal 2004, 2003 and 2002 income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pre-tax income (loss) as a result of the following for the years ended December 31 (in thousands):

	2004	2003	2002
Federal tax at statutory rate	$(23,967)	$(29,460)	$(7,566)
State taxes	—	—	—
Domestic NOL not benefitted	15,475	21,798	7,302
Foreign NOL not benefitted	2,936	4,707	211
Meals and entertainment	58	28	53
Non-cash interest expense	5,579	2,666	—
Other	72	261	—
Total tax expense	$ 153	$ —	$ —

The types of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are set out below as of December 31 (in thousands):

	2004	2003
Deferred tax assets:		
Depreciation and amortization	$ 42,663	$ 35,957
Reserves	15,730	3,131
Charitable contributions	19	4
Deferred compensation	66	9,179
Credits	—	114
Capitalized start-up costs	195	706
Stock warrants	6,499	—
Net operating losses	56,606	18,184
Gross deferred tax assets	121,778	67,275
Valuation allowance	(121,778)	(67,275)
Total deferred tax assets	$ —	$ —

The Company's accounting for deferred taxes under SFAS No. 109 involves the evaluation of a number of factors concerning the realizability of the Company's deferred tax assets. To support the Company's conclusion that a 100% valuation allowance was required, the Company primarily considered such factors as the Company's history of operating losses, the nature of the Company's deferred tax assets and the absence of taxable income in prior carryback years. Although the Company's operating plans assume taxable and operating income in future periods, the Company's evaluation of all the available evidence in assessing the realizability of the deferred tax assets indicates that such plans are not considered sufficient to overcome the available negative evidence. Approximately $1,932,000 of the valuation allowance for deferred tax assets is attributable to employee stock option deductions, the benefit from which will be allocated to additional paid-in capital rather than current income when subsequently recognized.

Federal and State tax laws, including California tax laws, impose substantial restrictions on the utilization of net operating loss and credit carryforwards in the event of an "ownership change" for tax purposes, as defined in Section 382 of the Internal Revenue Code. The Company conducted an analysis to determine whether an ownership change had occurred due to the significant stock transactions in each of the reporting years disclosed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The analysis indicated that an ownership change occurred during the fiscal year 2002, which resulted in an annual limitation of approximately $819,000, for the net operating loss carryforwards generated prior to 2003 and therefore, the Company has substantially reduced its federal and state net operating loss carryforwards for the period prior to 2003 to approximately $16.4 million. Additionally, Section 382 of the Internal Revenue Code limits the Company's ability to utilize the tax deductions associated with its depreciable assets as of the end of the 2002 tax year to offset the taxable income in future years, due to the existence of a Net Unrealized Built-In Loss ("NUBIL") at the time of the change in control. Such a limitation will be effective for a five-year period subsequent to the change in control through 2007. The Company has also updated the analysis for fiscal year 2004 and concluded there was no ownership change under Section 382 of the Internal Revenue Code in the year.

The Company expects to pay a limited amount of tax for fiscal years 2005 and 2006. The tax costs will be primarily limited to alternative minimum taxes as the Company anticipates utilizing its net operating loss carryforwards from post-2002 tax years and expects to have significant tax deductions attributable to stock options exercised in the years.

The Company has net operating loss carryforwards of approximately $89.0 million available to reduce future taxable income for U.S. and state income tax purposes as of December 31, 2004. The U.S. net operating loss carryforwards will begin to expire, if not utilized, in the year 2019. The state net operating loss carryforwards will begin to expire, if not utilized, in the year 2006. In addition, the Company's foreign operations had approximately $77.9 million of net operating loss carryforwards available to reduce future taxable income for local income tax purposes. Approximately $21.2 million of the foreign operating loss carryforwards will begin to expire, if not utilized, in the year 2005, while the rest of the foreign operating loss carryforwards can be carried forward indefinitely.

14. Commitments and Contingencies

San Jose Ground Lease

In May 2000, the Company entered into a purchase agreement regarding approximately 80 acres of real property in San Jose, California. In June 2000, before closing on this property, the Company assigned its interest in the purchase agreement to a buyer and on the same date, this buyer purchased the property and entered into a 20-year lease with the Company for the property (the "San Jose Ground Lease"). Under the terms of the San Jose Ground Lease, the Company has the option to extend the lease for an additional 60 years, for a total lease term of 80 years. In addition, the Company has the option to purchase the property from the buyer on certain designated dates in the future. In September 2001, the Company amended the San Jose Ground Lease (the "First San Jose Ground Lease Amendment"). Previously, the Company posted a letter of credit in the amount of $10,000,000 and was required to increase the letter of credit by $25,000,000 to an aggregate of $35,000,000 if the Company did not meet certain development and financing milestones. Pursuant to the terms of the First San Jose Ground Lease Amendment, the aggregate obligation was reduced by $10,000,000 to $25,000,000 provided the Company agreed to post an additional letter of credit totaling $15,000,000 prior to September 30, 2001. In addition, the operating lease commitments, for the 12-month period ending September 2002, were reduced by $3,000,000 provided the Company prepaid a full year of lease payments. The benefit of this reduction was amortized to rent expense over the full term of the lease. The additional letter of credit was funded prior to September 30, 2001 and the rent pre-payment was funded subsequent to September 30, 2001. These letter of credit security deposits were to be reduced on a pro rata basis based on the status of construction activity on this property.

In May 2002, the Company further amended the San Jose Ground Lease to provide the Company the option to reduce its obligation under this lease arrangement by up to approximately one-half (the "Second San Jose

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Ground Lease Amendment”). Pursuant to the terms of the Second San Jose Ground Lease Amendment, for a one-time fee of $5,000,000, which was recorded as a restructuring charge (see Note 17), the Company had a one-year option, effective July 1, 2002, to elect to exclude from this lease anywhere from 20 to 40 acres of the unimproved real property. In September 2002, the Company exercised the option it had purchased in May 2002 and reduced its obligation under the San Jose Ground Lease by approximately one-half and entered into a further amendment of the San Jose Ground Lease (the “Third San Jose Ground Lease Amendment”), which became effective upon the closing of the Combination (see Note 2) and Financing (see Note 8). Pursuant to the terms of the Third San Jose Ground Lease Amendment, in connection with the exercise of the $5,000,000 option, the landlord was permitted to unconditionally draw down on the $25,000,000 in letters of credit. A portion of these letters of credit, totaling approximately $5,990,000, was recorded as prepaid rent expense representing fair value of the lease costs for the 15-month period from October 1, 2002 to December 31, 2003. The prepaid rent represented the total payments that would have otherwise been paid during this period for the remaining one-half of the lease. The Company amortized this prepaid rent expense ratably over the 15-month period. The remaining balance, approximately $19,010,000, was written off and recorded as a restructuring charge as the Company was unable to recognize any future economic benefit attributed to the remaining balance of the letters of credit (see Note 17).

Operating Lease Terminations and Amendments

In February 2002, the Company entered into a termination agreement for its operating leasehold in Amsterdam, The Netherlands (the “Termination Agreement”). As stipulated in the Termination Agreement, the Company will surrender two previously-posted letters of credit totaling approximately $4,814,000, which the Company had already fully written-off in conjunction with the restructuring charge that the Company recorded during the third quarter of 2001 (see Note 17). The first letter of credit was surrendered in March 2002 and the second letter of credit was surrendered in August 2002. The costs associated with terminating this leasehold were consistent with those that the Company estimated during the third quarter of 2001.

In February 2002, the Company entered into an agreement to surrender for its operating leasehold in London, England that was declared effective in March 2002 (the “Agreement to Surrender”). As stipulated in the Agreement to Surrender, the Company surrendered a previously-posted letter of credit totaling approximately $822,000, which the Company had already fully written-off in conjunction with the restructuring charge that the Company recorded during the third quarter of 2001 (see Note 17) and issued a warrant to purchase 18,750 shares of the Company’s common stock at $0.32 per share to the Company’s landlord (the “UK Warrant”). The UK Warrant was valued at $702,000 using the Black-Scholes option-pricing model and has been recorded as an offset to accrued restructuring charges. The following assumptions were used in determining the fair value of the earned portion of this warrant: fair market value per share of $37.76, dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 4.00% and a contractual life of one year. The costs associated with terminating this leasehold were consistent with those that the Company estimated during the third quarter of 2001. In March 2003, this warrant was exercised with cash.

In April 2002, the Company entered into an agreement to exit its operating leasehold in Frankfurt, Germany (the “Lease Exit Agreement”). As stipulated in the Lease Exit Agreement, the Company surrendered a previously-posted letter of credit totaling approximately $1,076,000, which the Company had already fully written-off in conjunction with the restructuring charge that the Company recorded during the third quarter of 2001 (see Note 17). As also stipulated in the Lease Exit Agreement, the Company additionally agreed to (1) pay rent through May 2002, (2) pay cash settlement fees totaling approximately $1,845,000 and (3) issued a warrant to purchase 35,938 shares of the Company’s common stock at $0.32 per share to the Company’s landlord in Frankfurt (the “Frankfurt Warrant”). The Frankfurt Warrant was valued at $725,000 using the Black-Scholes option-pricing model and has been recorded as an offset to accrued restructuring charges. The following assumptions were used in determining the fair value of the earned portion of this warrant: fair market value per share of $20.48, dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 4.00% and a contractual life of one year. In May 2002, this warrant was exercised with cash.

In July 2002, the Company finalized its agreement to exit one of its excess U.S. operating leaseholds in Mountain View, California, adjacent to the Company's headquarters (the "Excess Headquarter Lease Termination"). As stipulated in the Excess Headquarter Lease Termination, the Company agreed to pay rent through July 2002 and to waive any rights to any remaining personal property on the premises beyond a specified date. During the quarter ended June 30, 2002, the Company wrote-off all property and equipment located in this excess office space, primarily leasehold improvements and some furniture and fixtures, totaling $1,552,000. This was included in the restructuring charges recorded during 2002 (see Note 17).

In October 2002, the Company amended the lease for its headquarters in Mountain View, California (the "First Amendment to HQ Lease"). Pursuant to the First Amendment to HQ Lease, the Company was granted the option to terminate the leasehold in exchange for a termination fee of $924,000. The Company paid this fee and exercised this option in October 2002. Provided the Company complies with the terms of the First Amendment to HQ Lease, including the timely payment of its lease obligations for six months, the Company will be permitted to terminate the lease without further penalty and will be entitled to a discharge fee equal to $924,000 at the time the premises are vacated. In March 2003, the Company terminated this lease, received the discharge fee and moved into new headquarter facilities in Foster City, California.

In October 2002, the Company amended its lease for its Secaucus IBX center (the "Second Amendment to the Secaucus IBX Lease"). Pursuant to the terms of the Second Amendment to the Secaucus IBX Lease, commencing October 1, 2002 and expiring March 31, 2004, a portion of the base rent otherwise due for the period will be deferred until January 2005. Commencing January 1, 2005, the portion of the base rent deferred, plus interest calculated thereon, will be repaid to the Secaucus landlord in 36 equal payments ending December 1, 2007. Furthermore, with respect to this operating lease, the landlord had the right to expand the Company's rentable space by approximately half at such time as the current tenant of that portion of the property's lease expired, which was on December 31, 2004. In December 2004, the Company recorded a restructuring charge in connection with this excess space (see Note 17). The Company entered into a two-year sublease with the current tenant of this excess space.

In October 2003, a wholly-owned subsidiary of the Company entered into an asset sale agreement with an affiliated company of STT Communications (the "Buyer"), which is also a current customer of Equinix, in which (a) the Company exited from its IBX center lease in Singapore that the Company acquired in the Pihana Acquisition (the "Pihana Singapore IBX Hub") effective September 30, 2003, (b) the Buyer has entered into a new lease agreement directly with the landlord for the Pihana Singapore IBX Hub, (c) the Company sold the related assets located in and transferred certain agreements related to the operations of the Pihana Singapore IBX Center to the Buyer for one Singapore dollar (pursuant to the Combination, these assets had no value ascribed to them), (d) the Company contemporaneously entered into a separate colocation agreement for a smaller portion of space in the Pihana Singapore IBX Center for 60 months in which the Company will be the customer of the Buyer at current fair value rates at the time and (e) the Buyer has agreed to procure additional IBX center services in the Company's other Singapore IBX center that it acquired in the i-STT Acquisition at current fair value rats at the time (the "Singapore Asset Sale Agreement"). As a result of the Singapore Asset Sale Agreement, the Company surrendered several deposits related to the Pihana Singapore IBX Hub; however, this loss was offset by the write-off of the associated deferred rent and asset retirement obligation liabilities associated with the Pihana Singapore IBX Center resulting in a nominal loss on asset sale of $18,000. As a result of this transaction, the Company has only one primary IBX center in Singapore (the one acquired in the i-STT Acquisition) rather than two.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In May 2004, a wholly-owned subsidiary of the Company amended its lease for its Hong Kong IBX center (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 through October 2013 total $7.1 million as of December 31, 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 Lease Amendment 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 these warrants is included in other assets on the accompanying balance sheet as of December 31, 2004. For the year ended December 31, 2004, the Company recorded $194,000 of non-cash rent expense associated with the Hong Kong Lease Amendment Warrants.

In June 2004, a wholly-owned subsidiary of the Company amended its lease for its Tokyo IBX center (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 $34,000 as translated using effective exchange rates at December 31, 2004).

Operating Lease Commitments

The Company currently leases all but one of its IBX centers 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 has negotiated rent expense abatement periods to better match the phased build-out 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.

Minimum future operating lease payments as of December 31, 2004 are summarized as follows (in thousands):

Year ending:	
2005	$ 28,638
2006	30,689
2007	30,410
2008	29,856
2009	29,715
Thereafter	177,945
Total	$ 327,253

Total rent expense was approximately $30,837,000, $28,646,000 and $25,193,000 for the years ended December 31, 2004, 2003 and 2002, respectively. Deferred rent, primarily included in deferred rent and other liabilities on the accompanying balance sheets, was $22,915,000 and $20,283,000 as of December 31, 2004 and 2003, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Although the Company has not concluded on the accounting treatment related to the San Jose IBX Acquisition in December 2004 (see Note 3), the minimum future lease payments associated with the New San Jose IBX Lease have been included in the minimum future operating lease payments as of December 31, 2004 presented above.

In December 2004, the Company recorded a restructuring charge related to two excess operating leaseholds that the Company intends to exit from (see Note 17). As of December 31, 2004, the Company had a restructuring charge accrual related to these two excess operating leases totaling $14.8 million on the accompanying balance sheet. As a result of already presenting the liability associated with these two operating leases on the Company's balance sheet, the future lease costs associated with these two leases for excess space are not presented in the operating lease totals presented above.

Other Purchase Commitments

As a result of the San Jose IBX Acquistion, the Company is obligated to pay $924,000 to Abovenet in connection with the New San Jose IBX Asset Purchase Agreement. The Company expects to pay for this in March 2005 when the Company takes possession of this property. In addition, the Company is also obligated to pay $750,000 to Abovenet in connection with the Silicon Valley IBX Fiber Ring Agreement as of December 31, 2004, which the Company is obligated to pay no later than May 1, 2005 (see Note 3).

Letter of Credit Commitments

In connection with three of our IBX operating leases, the Company has entered into three irrevocable letters of credit with Silicon Valley Bank. These letters of credit were provided in lieu of cash deposits under the Letters of Credit Sublimit provision in connection with the Silicon Valley Bank Credit Line (see Note 11). The letters of credit total $3,172,000, are collateralized by the Silicon Valley Bank Credit Line and automatically renew in successive one-year periods until the final lease expiration dates. If the landlords for any of these three IBX operating leases decide to draw down on these letters of credit, the Company will be required to fund these letters of credit.

Legal Actions

On July 30, 2001 and August 8, 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. In addition, similar lawsuits were filed against approximately 300 other issuers and related parties. 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. Among other provisions, the settlement provides for a release of the Company and the Individual Defendants and the Company's agreeing to assign away, not assert, or release certain potential claims the Company may have against its underwriters. The settlement agreement also provides a guaranteed recovery of $1 billion to plaintiffs for the cases relating to all of the approximately 300 issuers. To the extent that the underwriter defendants settle all of the cases for at least $1 billion, no payment will be required under the issuers' settlement agreement. To the extent that the underwriter defendants settle for less than $1 billion, the issuers are required to make up the difference. It is anticipated that any potential financial obligation of Equinix to plaintiffs pursuant to the settlement, currently such claims are expected to be less than $3.4 million, will be covered by existing insurance and we do not expect that the settlement will involve any payment by the Company. The Company has no information as to whether there are any material limitations on the expected recovery by other issuer defendants of any potential financial obligation to plaintiffs from their own insurance carriers. The settlement agreement has been submitted to the Court for approval. The underwriter defendants have filed objections to the settlement agreement. As approval by the Court cannot be assured, the Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows.

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 noted that its decision on those cases 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. While an unfavorable outcome to this case is reasonably possible, it is not probable. As a result, the Company has not accrued for any settlements in connection with this litigation as of December 31, 2004.

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 center 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.

Employment Agreements

In January 2001, the Company had agreed to indemnify an officer of the Company for any claims brought by his former employer under an employment and non-compete agreement the officer had with this employer. As of December 31, 2004, no claims had been made by the former employer.

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Through September 2003, the Company had entered into severance agreements with certain of its executive officers. Under the terms of the agreements, the officers are entitled to one year's salary, bonus and certain healthcare benefits in the event of an involuntary termination for reasons other than cause.

Employee Benefit Plan

The Company has a 401(k) Plan that allows eligible employees to contribute a portion of their compensation, limited to $13,000 in 2004. Employee contributions and earnings thereon vest immediately. Although the Company may make discretionary contributions to the 401(k) Plan, no contributions have ever been made as of December 31, 2004.

Guarantor Arrangements

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

As permitted under Delaware law, the Company has agreements whereby the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits the Company's exposure and enables the Company to recover a portion of any future amounts paid. As a result of the Company's insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The majority of these indemnification agreements were grandfathered under the provisions of FIN 45 as they were in effect prior to December 31, 2002. Accordingly, the Company has no significant liabilities recorded for these agreements as of December 31, 2004.

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally the Company's business partners or customers, in connection with any U.S. patent, or any copyright or other intellectual property infringement claim by any third party with respect to the Company's services. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. A significant amount of these indemnification agreements were grandfathered under the provisions of FIN 45 as they were in effect prior to December 31, 2002. The Company has no significant liabilities recorded for these agreements as of December 31, 2004.

The Company enters into arrangements with its business partners, whereby the business partner agrees to provide services as a subcontractor for the Company's implementations. The Company may, at its discretion and in the ordinary course of business, subcontract the performance of any of its services. Accordingly, the Company enters into standard indemnification agreements with its customers, whereby the Company indemnifies them for other acts, such as personal property damage, of its subcontractors. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has general and umbrella insurance policies that enable the Company to recover a portion of any amounts paid. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. A significant amount of these arrangements were grandfathered under the provisions of FIN 45 as they were in effect prior to December 31, 2002. The Company has no significant liabilities recorded for these agreements as of December 31, 2004.

The Company has service level commitment obligations to certain of its customers. As a result, service interruptions or significant equipment damage in the Company's IBX centers, whether or not within our control, could result in service level commitments to these customers. The Company's liability insurance may not be adequate to cover those expenses. In addition, any loss of services, equipment damage or inability to meet the Company's service level commitment obligations, particularly in the early stage of the Company's development, could reduce the confidence of the Company's customers and could consequently impair the Company's ability to obtain and retain customers, which would adversely affect both the Company's ability to generate revenues and the Company's operating results. Historically, these service level credits have not been significant. Accordingly, the Company has no significant liabilities for these agreements as of December 31, 2004.

Under the terms of the Combination Agreement, the Company was contractually obligated to use the Company's reasonable best efforts to obtain the release of STT Communications from a bank guarantee associated with i-STT's unconsolidated Thailand joint venture, i-STT Nation Limited. Such efforts included i-STT assuming such guarantee if it was commercially reasonable to do so. This guarantee was for 60% of a Thai baht 260,000,000 bank loan (approximately $6,188,000 as translated using effective exchange rates at June 30, 2003), of which Thai baht 58,300,000 was outstanding as of June 30, 2003 (approximately $1,388,000 as translated using effective exchange rates at June 30, 2003) (the "Thai Bank Loan"). In July 2003, the Company, STT Communications and their Thailand joint venture partner, Nation Digital Media Ltd. ("Nation Digital"), entered into an agreement to wind-down i-STT Nation Limited (the "Thailand Joint Venture Wind-Down Agreement"). Under the terms of the Thailand Joint Venture Wind-Down Agreement, Nation Digital obtained title to all assets of i-STT Nation Limited; STT Communications agreed to assume 100% of the Thai Bank Loan; and STT Communications and the Company agreed to fund the wind-down costs of i-STT Nation Limited. As of December 31, 2003, the Thai Bank Loan was repaid in full by STT Communications and the Company has funded its portion of wind-down costs, and the wind-down effort was completed as of December 31, 2003 (see Note 2).

Under the terms of the Combination Agreement, the Company is contractually obligated to use commercially reasonable efforts to ensure that at all times from and after the closing of the Combination, until such time as neither STT Communications nor its affiliates hold the Company's capital stock or debt securities (or the capital stock received upon conversion of the debt securities) received by STT Communications in connection with the Combination, that none of the Company's capital stock issued to STT Communications is constituted as "United States real property interests" within the meaning of Section 897(c) of the Internal Revenue Code of 1986. Under Section 897(c) of the Code, the Company's capital stock issued to STT Communications would generally constitute "United States real property interests" at such point in time that the fair market value of the "United States real property interests" owned by the Company equals or exceeds 50% of the sum of the aggregate fair market values of (a) the Company's "United States real property interests," (b) the Company's interests in real property located outside the U.S., and (c) any other assets held by the Company which are used or held for use in the Company's trade or business. The Company refers to this provision in the

Combination Agreement as the FIRPTA covenant. Pursuant to the FIRPTA covenant, the Company may be forced to take commercially reasonable proactive steps to ensure the Company's compliance with the FIRPTA covenant, including, but not limited to, (a) a sale-leaseback transaction with respect to all real property interests, or (b) the formation of a holding company organized under the laws of the Republic of Singapore which would issue shares of its capital stock in exchange for all of the Company's outstanding stock (this reorganization would require the submission of that transaction to the Company's stockholders for their approval and the consummation of that exchange). Currently, the Company is in compliance with the FIRPTA covenant. This arrangement was grandfathered under the provisions of FIN 45 as it was in effect prior to December 31, 2002. Accordingly, the Company has no liabilities recorded related to non-compliance with the FIRPTA covenant as of December 31, 2004.

When as part of an acquisition the Company acquires all of the stock or all of the assets and liabilities of a company, the Company assumes the liability for certain events or occurrences that took place prior to the date of acquisition. The maximum potential amount of future payments the Company could be required to make for such obligations is undeterminable at this time. The only acquisitions that the Company has made to date in which it acquired all the stock or all of the assets and liabilities of a company was in connection with the Combination. All of these obligations were grandfathered under the provisions of FIN No. 45 as they were in effect prior to December 31, 2002. Accordingly, the Company has no liabilities recorded for these liabilities as of December 31, 2004.

15. Related Party Transactions

Trade Activity with Affiliates of STT Communications and Other Related Parties

As a result of the Combination, the Company acquired operations in Asia-Pacific. The majority of the Company's Asia-Pacific revenues are generated in Singapore and a significant portion of the business in Singapore is transacted with entities affiliated with STT Communications, which is the Company's single largest stockholder. For the year ended December 31, 2004, revenues recognized with related parties, primarily entities affiliated with STT Communications, were $5,347,000 and as of December 31, 2004, accounts receivable with these related parties was $955,000. For the year ended December 31, 2004, costs and services procured with related parties, primarily entities affiliated with STT Communications, were $2,701,000 and as of December 31, 2004, accounts payable with these related parties was $281,000. For the year ended December 31, 2003, revenues recognized with related parties, primarily entities affiliated with STT Communications, were $6,946,000, and as of December 31, 2003, accounts receivable with these related parties was $1,393,000. For the year ended December 31, 2003, costs and services procured with related parties, primarily entities affiliated with STT Communications, were $481,000, and as of December 31, 2003, accounts payable with these related parties was $139,000.

In February and March 2002, the Company entered into two agreements to resell equipment with related party companies. Both related party companies have executive officers that serve on the Company's Board of Directors, and one of the related party company executive officers also serves on the board of directors of such company. In addition, one of the companies was also a 5% or greater stockholder in the Company as of that date. Revenue recognized during 2002 from such equipment reseller agreements totaled approximately $2,936,000. There was no revenue recognized from these agreements during 2003 or 2004.

Other Transactions

During 2003, the Company entered into an agreement with STT Communications to wind-down the Company's Thailand joint venture (see Note 14). In October 2003, the Company entered into an asset sale

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agreement with an affiliate of STT Communications (see Note 14). In November 2004, the Company and STT Communications entered into an Omnibus Amendment Agreement in which STT Communications' security interests in the Company in connection with the Financing were lifted, except for one of the Company's cash accounts, secured in the amount of any outstanding STT Convertible Secured Notes plus six months of forward-looking interest. (see Note 8). In January 2005, the Company converted 95% of the outstanding STT Convertible Secured Notes and accrued and unpaid interest through February 14, 2005, into 4,144,216 shares of the Company's stock (see Note 18).

16. Segment Information

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

Due to the Combination (see Note 2), the Company acquired operations in Asia-Pacific effective December 31, 2002. As a result, commencing in fiscal 2003, the Company's consolidated statement of operations includes revenues and expenses from Asia-Pacific.

The Company's geographic statement of operations disclosures are as follows for the years ended December 31 (in thousands):

	2004	2003	2002
Total revenues:			
United States	$141,598	$ 99,669	$ 77,188
Asia-Pacific	22,073	18,273	—
	$163,671	$117,942	$ 77,188
Cost of revenues:			
United States	$118,311	$107,477	$ 104,073
Asia-Pacific	18,639	20,644	—
	$136,950	$128,121	$ 104,073
Loss from operations:			
United States	$ (34,107)	$ (48,621)	$(101,676)
Asia-Pacific	(7,955)	(15,334)	—
	$ (42,062)	$ (63,955)	$(101,676)

The Company's long-lived assets are located in the following geographic areas as of December 31 (in thousands):

	2004	2003
United States	$ 360,694	$ 343,419
Asia-Pacific	34,022	34,825
	$ 394,716	$ 378,244

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company's goodwill totaling $22,018,000 and $21,228,000 as of December 31, 2004 and 2003, respectively, is part of the Company's Singapore reporting unit, which is reported within the Asia-Pacific segment.

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

	2004	2003	2002
Colocation	$ 111,986	$ 77,136	$ 54,399
Interconnection	31,414	20,361	9,770
Managed infrastructure	11,049	12,492	1,150
Recurring revenues	154,449	109,989	65,319
Non-recurring revenues	9,222	7,953	11,869
	$ 163,671	$ 117,942	$ 77,188

17. Restructuring Charges

2001 Restructuring Charge

During the quarter ended September 30, 2001, the Company revised its European services strategy through the development of new partnerships with other leading international Internet exchange partners rather than build and operate its own European IBX centers. In addition, the Company initiated efforts to exit certain leaseholds relating to certain excess U.S. operating leases. Also, in September 2001, the Company implemented an approximate 15% reduction in workforce, primarily in headquarter positions, in an effort to reduce operating costs. As a result, the Company took a total restructuring charge of $48,565,000 primarily related to the write-down of European construction in progress assets to their net realizable value, the write-off of several European letters of credit related to various European operating leases, the accrual of estimated European and U.S. leasehold exit costs and the severance accrual related to the reduction in workforce. The remaining European assets as of December 31, 2001, totaling $2,234,000, represented assets purchased during pre-construction activities that were held for resale and sold during 2002. As of December 31, 2001, the Company had successfully surrendered one of the European leases. The Company completed the exit of the remaining European leases and one of the U.S. leases during 2002 (see Note 14). The collective costs of these European exit activities, primarily the exit of the German leasehold and an additional loss incurred on the sale of the European assets held for resale, exceeded the amount estimated by management during the third quarter of 2001. As a result, the Company recorded an additional restructuring charge during the second quarter of 2002 (see 2002 Restructuring Charges below). The reduction in workforce was substantially completed during the fourth quarter of 2001.

A summary of the movement in the 2001 restructuring charge accrual from December 31, 2003 to December 31, 2004 is outlined as follows (in thousands):

	Accrued restructuring charge as of December 31, 2003	Non-cash charges	Cash payments	Accrued restructuring charge as of December 31, 2004
U.S. lease exit costs	$ 42	$ —	$ (42)	$ —
	$ 42	$ —	$ (42)	$ —

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A summary of the movement in the 2001 restructuring charge accrual from December 31, 2002 to December 31, 2003 is outlined as follows (in thousands):

	Accrued restructuring charge as of December 31, 2002	Non-cash charges	Cash payments	Accrued restructuring charge as of December 31, 2003
U.S. lease exit costs	$ 810	$ —	$ (768)	$ 42
	$ 810	$ —	$ (768)	$ 42

2002 Restructuring Charges

During the quarter ended June 30, 2002, the Company took a second restructuring charge to reflect the Company's ongoing efforts to exit or amend several unnecessary U.S. IBX expansion and headquarter office space operating leaseholds and to complete the Company's European exit activities. In addition, in May 2002, the Company implemented a reduction in workforce of less than 10%, primarily in headquarter positions, in an effort to reduce operating costs. As a result, the Company took a total restructuring charge of $9,950,000, primarily related to the Second San Jose Ground Lease option fee of $5,000,000 (see Note 14); the write-off of property and equipment, primarily leasehold improvements and some equipment, located in two unnecessary U.S. IBX expansion and headquarter office space operating leaseholds that the Company decided to exit and that do not currently provide any ongoing benefit; the write-off of two U.S. letters of credit related to one U.S. operating leasehold from which the Company has committed to exit; an accrual for the remaining estimated European exit costs and additional U.S. leasehold exit costs and the severance accrual related to the reduction in workforce. The reduction in workforce was substantially completed during the second quarter of 2002 and the other lease exit costs were completed in 2003 and 2004.

During the quarter ended September 30, 2002, the Company recorded an additional restructuring charge as a result of the Third San Jose Ground Lease Amendment (see Note 14). As a result, the Company released its letters of credit relating to the San Jose Ground Lease and recorded a restructuring charge of $19,010,000.

During the fourth quarter ended December 31, 2002, the Company recorded an additional restructuring charge as a result of a small reduction in workforce in headquarter positions offset by the reversal of the previous write-down of one of the letters of credit recorded in conjunction with the second quarter 2002 restructuring charge noted above. Based on further negotiation with the landlord, both parties agreed that the letter of credit will be left intact. The reduction in workforce was substantially completed in January 2003.

A summary of the movement in the 2002 restructuring charges accrual from December 31, 2003 to December 31, 2004 is outlined as follows (in thousands):

	Accrued restructuring charge as of December 31, 2003	Non-cash charges	Cash payments	Accrued restructuring charge as of December 31, 2004
Additional lease exit costs	$ 178	$ —	$ (178)	$ —
	$ 178	$ —	$ (178)	$ —

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Accrued restructuring charge as of December 31, 2002	Non-cash charges	Cash payments	Accrued restructuring charge as of December 31, 2003
Additional lease exit costs	$ 392	$ —	$ (214)	$ 178
Workforce reductions	456	—	(456)	—
	$ 848	$ —	$ (670)	$ 178

A summary of the 2002 restructuring charges through December 31, 2002 is outlined as follows (in thousands):

	Total 2002 restructuring charges	Non-cash charges	Cash payments	Accrued restructuring charge as of December 31, 2002
San Jose ground lease option fee	$ 5,000	$ —	$(5,000)	$ —
Write-off of U.S. property and equipment	2,585	(2,585)	—	—
Additional lease exit costs	1,115	—	(723)	392
Write-off of two U.S. letters of credit	750	(750)	—	—
Workforce reduction	500	—	(469)	31
Second quarter subtotal	9,950	(3,335)	(6,192)	423
Write-off of San Jose ground lease letters of credit	19,010	(19,010)	—	—
Third quarter subtotal	19,010	(19,010)	—	—
Workforce reduction	425	—	—	425
Write-up of one U.S. letter of credit	(500)	500	—	—
Fourth quarter subtotal	(75)	500	—	425
	$ 28,885	$(21,845)	$(6,192)	$ 848

2004 Restructuring Charges

In December 2004, in light of the availability of fully built-out data centers in select markets at costs significantly below those costs the Company would incur in building out new space, the Company made the decision to exit leases for excess space adjacent to one of the Company’s New York metro area IBXs, as well as space on the floor above its original Los Angeles IBX. As a result of the Company’s decision to exit these spaces, the Company recorded restructuring charges totaling $17,685,000, which represents the present value of the Company’s estimated future cash payments, net of any estimated subrental income and expense, through the remainder of these lease terms, as well as the write-off of all remaining property and equipment attributed to the partial build-out of the excess space on the floor above its Los Angeles IBX as outlined below. Both lease terms run through 2015.

The Company adopted SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities”, at the beginning of its fiscal year 2003. Under the provisions of SFAS No. 146, the Company estimated the future cash payments required to exit these two leased spaces, net of any estimated subrental income and expense,

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

through the remainder of these lease terms and then calculated the present value of such future cash flows in order to determine the appropriate restructuring charge to record. In future periods, the Company will record accretion expense to accrete its accrued restructuring liability up to an amount equal to the total estimated future cash payments necessary to complete the exit of these leases. Should the actual lease exit costs differ from the Company's estimates, the Company may need to adjust its restructuring charges associated with the excess lease spaces, which would impact net income in the period such determination was made.

A summary of the 2004 restructuring charges through December 31, 2004 is outlined as follows (in thousands):

	Total 2004 restructuring charges	Non-cash charges	Transfer of deferred rent liability	Accrued restructuring charge as of December 31, 2004
Estimated lease exit costs	$ 13,869	$ —	$ 881	$ 14,750
Write-off of property and equipment	3,816	(3,816)	—	—
	$ 17,685	$(3,816)	$ 881	14,750
Less current portion				(1,952)
				$ 12,798

Prior to the Company's decision to exit the excess space on the floor above its original Los Angeles IBX in December 2004, the Company had recorded deferred rent in connection with this leasehold as it straightlined the associated rent expense from lease inception in April 2001 to December 2004 totaling $881,000. In conjunction with the Company's decision to exit from this excess lease, the Company reclassified this deferred rent liability from deferred rent to accrued restructuring charges as of December 31, 2004 and adjusted the restructuring charge accordingly.

In January 2005, the Company sublet the excess space in the New York metro area for a two-year period and is currently evaluating opportunities related to its excess space in Los Angeles, as well as the excess space in the New York metro area beyond the two-year sublease. As the Company currently has no plans to enter into lump sum lease terminations with either of the landlords associated with these two excess space leases, the Company has reflected its accrued restructuring liability as both current and non-current on the accompanying balance sheet as of December 31, 2004. The Company is contractually committed to these two excess space leases through 2015.

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company's minimum future operating lease payments associated with these two excess space leases is as follows (in thousands):

2005	$ 2,433
2006	2,766
2007	3,216
2008	3,262
2009	3,309
Thereafter	19,964
	34,950
Less amount representing estimated subrental income and expense	(15,978)
	18,972
Less amount representing accretion	(4,222)
	14,750
Less current portion	(1,952)
	$ 12,798

Acquired Restructuring Charges

As a result of the Combination, the Company acquired several accruals related to restructuring activities from both i-STT and Pihana, which were commenced in 2002. As of December 31, 2003, a total of $608,000 remained accrued for these restructuring activities, which were settled in 2004 (see Note 2).

18. Subsequent Events

On January 1, 2005, pursuant to the provisions of the Company's stock plans (see Note 12), the number of common shares in reserve automatically increased by 1,139,968 shares for the 2000 Equity Incentive Plan, 379,989 shares for the Employee Stock Purchase Plan, 379,989 shares for the 2004 Employee Stock Purchase Plan and 50,000 shares for the 2000 Director Stock Option Plan.

On January 10, 2005, in accordance with the Financing (see Note 8), Equinix converted an aggregate of $38,035,000 of STT Convertible Secured Notes and associated interest into 4,144,216 shares of the Company's Series A-1 preferred stock (the "95% STT Convertible Secured Notes Conversion"). The converted amount represented 95% of the outstanding STT Convertible Secured Notes plus interest due through February 14, 2005. A total of $1,923,000 of STT Convertible Secured Notes remain outstanding (the "Remaining STT Convertible Secured Notes") and will continue to be governed by the terms of the Financing. The Remaining STT Convertible Secured Notes will be eligible for conversion by Equinix in early 2006 provided certain conditions are met, including if the closing price of the Company's common stock exceeds $32.12 per share for 30 consecutive trading days. On February 1, 2005, STT elected to convert its Series A-1 preferred stock into 4,144,216 shares of the Company's common stock. The Series A-1 preferred stock converted into common stock on a 1 to 1 basis. As a result of the 95% STT Convertible Secured Notes Conversion, 95% of the outstanding Convertible Secured Notes and PIK Notes, plus unpaid interest through February 14, 2005 and unamortized discount and debt issuance costs, was converted into stockholders' equity in accordance with APB Opinion No. 26, "Early Extinguishment of Debt" and SFAS No. 84, "Induced Conversions of Convertible Debt, an amendment of APB Opinion No. 26."

EQUINIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On February 8, 2005, the Compensation Committee of the Board of Directors approved the grant of stock options to employees, excluding executive officers, to purchase an aggregate of approximately 860,000 shares of common stock as part of the Company's annual refresh program at an exercise price of $44.89 per share. On February 8, 2005, the Compensation Committee of the Board of Directors also approved the issuance of 320,500 shares of restricted shares of common stock to executive officers pursuant to the 2000 Equity Incentive Plan. The restricted shares are subject to four-year vesting, and will only vest if the stock appreciates at pre-determined levels.

EQUINIX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
QUARTERLY FINANCIAL INFORMATION (Unaudited)

The Company believes that period-to-period comparisons of its financial results should not be relied upon as an indication of future performance. The Company's revenues and results of operations have been subject to significant fluctuations, particularly on a quarterly basis, and the Company's revenues and results of operations could fluctuate significantly quarter-to-quarter and year-to-year. Significant quarterly fluctuations in revenues will cause significant fluctuations in our cash flows and the cash and cash equivalents and accounts receivable accounts on the Company's balance sheet. Causes of such fluctuations may include the volume and timing of new orders and renewals, the sales cycle for our services, the introduction of new services, changes in service prices and pricing models, trends in the Internet infrastructure industry, general economic conditions, extraordinary events such as acquisitions or litigation and the occurrence of unexpected events.

The unaudited quarterly financial information presented below has been prepared by the Company and reflects all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to present fairly the financial position and results of operations for the interim periods presented.

The following table presents selected quarterly information for fiscal 2004 and 2003:

	First quarter	Second quarter	Third quarter	Fourth quarter
	(in thousands, except per share data)			
2004:				
Revenues	$ 36,820	$ 39,423	$ 42,439	$ 44,989
Net loss	(30,142)(a)	(9,205)	(6,615)	(22,669)(b)
Basic and diluted net loss per share	(2.00)	(0.51)	(0.36)	(1.21)
2003:				
Revenues	$ 25,435	$ 28,434	$ 30,919	$ 33,154
Net loss	(25,553)	(21,203)	(19,718)	(17,697)
Basic and diluted net loss per share	(3.00)	(2.44)	(2.12)	(1.49)

(a) Includes a $16.2 million loss on debt extinguishment and conversion (see Note 10).
(b) Includes a $17.7 million restructuring charge (see Note 17).

Exhibit 10.107

FIRST AMENDMENT TO SUBLEASE AGREEMENT

THIS FIRST AMENDMENT TO SUBLEASE AGREEMENT (this**"Amendment"**) is made as of June 21, 2004 by and between SPRINT COMMUNICATIONS COMPANY, L.P., a Delaware limited partnership (**"Sublandlord"**), and EQUINIX OPERATING CO., INC., a Delaware corporation (**"Subtenant"**).

R E C I T A L S

A. Sublandlord and Subtenant entered into that certain Sublease Agreement dated as of October 24, 2003 (the**"Sublease"),** with respect to certain premises located at 1350 Duane Avenue, Santa Clara, California, as more particularly described in the Sublease. Capitalized terms used but not defined herein shall have the meanings set forth in the Sublease.

B. Sublandlord and Subtenant desire to amend the Sublease in the manner set forth below.

A G R E E M E N T

NOW THEREFORE, in consideration of the agreements of Sublandlord and Subtenant herein contained and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, Sublandlord and Subtenant hereby agree to modify the Sublease as follows:

1. RENT MODIFICATION

Notwithstanding anything to the contrary in the Sublease, Section 7.1 shall be deleted in its entirety and shall be replaced with the following:

"Subtenant shall pay to Sublandlord as "Monthly Base Rent" the following amounts: (i) during the first 24 months and 12 days of the Term, an amount equal to 25% of the Base Monthly Rent payable by Sublandlord under the Master Lease; and (ii) thereafter for the remainder of the Term, Subtenant shall pay to Sublandlord, 45% of the Base Monthly Rent payable by Sublandlord under the Master Lease. Notwithstanding the immediately previous sentence or anything to the contrary contained herein, (x) if a Subtenant Default occurs during the first 24 months and 12 days of the Term, the Monthly Base Rent payable by Subtenant shall increase to 45% of the Base Monthly Rent payable by Sublandlord under the Master Lease; and (y) if a Subtenant Default occurs after the initial 24 months and 12 days of the Term, Subtenant shall, within thirty (30) days of Sublandlord's written demand, pay to Sublandlord an amount equal to Three Thousand Nine Hundred Thirty-Nine and/no Dollars ($3,939.00) multiplied by the number of days elapsed from the Commencement Date until the date on which Subtenant's Default occurred, but not to exceed a total of 3,000,000.00, as well as all unpaid and accrued rental amounts. The foregoing sentence shall not limit and the Sublandlord shall have available to it all other non-monetary remedies available to it pursuant to Section 13.2 of the Master Lease. As used herein, "Subtenant Default" shall mean a default by Subtenant hereunder that continues beyond any applicable grace, notice and cure periods. Subtenant agrees to commence paying an amount equal to the Monthly Base Rent in advance for the first month of the Term on the Commencement Date and to make rent payments thereafter on the first day of each month during the remaining Term of this Sublease. All rental amounts hereunder for any partial month will be prorated on the basis of the actual number of days elapsed. Except as expressly permitted in this Sublease, all rental amounts hereunder shall be payable to Sublandlord without notice, demand, deduction, offset or abatement in lawful money of the United States of America at P.O. Box 219061, Kansas City, MO 64121-9061 or to such other person or at such other address as Sublandlord may designate in writing. If any Monthly Base Rent or Additional Rent is not received by Sublandlord from Subtenant within five (5) days of the later of (i) when due or (ii) after written notice to Subtenant that the same has not been received by Sublandlord (provided such notice for late payment has not previously been given in the preceding twelve months), then Subtenant shall immediately pay to Sublandlord a late charge equal to the lesser of any penalties, default interest charges or other similar costs computed based on the delinquent amount actually incurred by Sublandlord under the Master Lease by reason of Subtenant's late payment or three percent (3%) of such delinquent rent, as liquidated damages for Subtenant's failure to make timely payment. If any rent remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Subtenant shall pay to Sublandlord interest on any rent that is not paid when due at the Agreed Interest Rate following the date such amount became due until paid. This paragraph shall not be deemed to grant Subtenant an extension of time within which to pay rent or prevent Sublandlord from exercising any other right or remedy."

2. NOTICE MODIFICATION

Notwithstanding anything to the contrary in the Sublease, Section**15** of the Sublease shall be modified to provide that all notices to Sublandlord shall also be sent to the following in addition to the addresses already provided in Section 15: Sprint Communications Company, L.P., 6100 Sprint Pkwy, KSOPHK0410-4A671, Overland Park, KS 66251, Attention: Director, EPS Transaction and Project Services, Facsimile No. (913) 315-0302.

3. MISCELLANEOUS

A. In the event of any inconsistencies between the terms of this Amendment and the Sublease, the terms of this Amendment shall prevail. This Amendment shall bind and inure to the benefit of Sublandlord and Subtenant and their respective legal representatives and successors and assigns.

B. This Amendment may be executed in counterparts each of which counterparts when taken together shall constitute one and the same agreement.

C. Except as set forth in this Amendment, all terms and conditions of the Sublease shall remain in full force and effect.

D. This Amendment is a fully-integrated agreement which, together with the Sublease, contains all of the parties' representations, warranties, agreements and understandings with respect to the subject matter hereof. The parties agree that there are no other agreements or understandings, written or oral, express or implied, tacit or otherwise in respect of the subject matter of this Amendment. This Amendment may be amended only in writing.

E. This Amendment will be governed by the law of the State of California, without regard to its choice of law rules.

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Modification as of the date first above written.

SUBLANDLORD:

SPRINT COMMUNICATIONS COMPANY L.P.,

By: /s/ PAM HATCHER
Name: Pam Hatcher
Title: Manager Program Management

SUBTENANT:

EQUINIX OPERATING CO., INC.,
a Delaware corporation

By: /s/ RENEE F. LANAM
Name: Renee F. Lanam
Title: Chief Financial Officer

Exhibit 10.108

EXECUTION VERSION

OMNIBUS AMENDMENT AGREEMENT

This OMNIBUS AMENDMENT AGREEMENT is made and entered into as of November 24, 2004 (this "Agreement") by and among Equinix, Inc., a Delaware corporation ("Parent"), the subsidiaries of Parent that are Guarantors of Parent's obligations under the Securities Purchase Agreement referred to below, each of the holders of the Notes issued pursuant to such Securities Purchase Agreement (the "Noteholders") and iSTT Investments Pte Ltd., a company organized under the laws of the Republic of Singapore, as collateral agent under the Junior Pledge and Security Agreement referred to below (the "Collateral Agent"), and amends such Securities Purchase Agreement (such Agreement, the "Purchase Agreement"). Unless otherwise defined in this Agreement, capitalized terms used in this Agreement without definition have the respective meanings given to them in the Purchase Agreement.

WHEREAS, on December 31, 2002, Parent issued and sold to the A-1 Purchasers A-1 Notes in the aggregate principal amount of $30,000,000 and Preferred Warrants, Cash Trigger Warrants and Change in Control Warrants;

WHEREAS, on June 5, 2003, Parent issued and sold to the A-2 Purchasers A-2 Notes in the aggregate principal amount of $10,000,000 and Common Warrants, New Cash Trigger Warrants and Change in Control Warrants;

WHEREAS, all indebtedness under the A-2 Notes has been converted into Common Stock pursuant to the Purchase Agreement;

WHEREAS, Parent, the Noteholders and the Collateral Agent desire to secure the payment of the A-1 Notes with collateral in an amount sufficient to fully pay and satisfy, when and as the same become due, all indebtedness of Parent under the A-1 Notes (such collateral to be held in account number 449-OH560-12-025 with Salomon Smith Barney Inc. (the "Pledged Account"), under and subject to the terms of a Control Agreement (the "Control Agreement") in the form attached hereto as Exhibit A), to provide for the release of all other collateral presently held by the Collateral Agent under the Master Pledge and Security Agreement dated as of December 31, 2002 between Parent, the Guarantors and the Collateral Agent (the "Junior Pledge and Security Agreement"), and to make certain other agreements, in connection therewith;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants in this Agreement, the Parties, intending to be legally bound, agree as follows:

1. Definitions. As used herein, the following terms shall have respective meanings set forth below:

"Cash" means all money, currency or a credit balance credited in any Deposit Account or Securities Account.

"Cash Equivalents" means (i) direct sovereign obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), or obligations, the timely payment of principal and interest of which is fully guaranteed by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof); (ii) interest-bearing demand or time deposits (including certificates of deposit) which are held in banks which have general obligations rated at least AA or equivalent by S&P or Moody's; (iii) commercial paper rated (on the date of acquisition thereof) at least A-1 or P-1 or equivalent by S&P or Moody's, respectively; (iv) money market funds, so long as such funds are rated Aaa by Moody's and AAA by S&P; (v) floating rate securities whereby the interest rates is indexed to a money market index including Treasury bills, LIBOR, Prime Rate or Federal Funds and which have a rating of AAA by S&P; (vi) bonds and medium term notes, provided such investments have a minimum rating of AA or better by S&P; (vii) bankers acceptances, provided such investments have a minimum rating of AA or better by S&P; (viii) municipal obligations, so long as such funds are rated Aaa by Moody's and AAA by S&P; or (ix) any advances, loans or extensions of credit or any stock, bonds, notes, debentures or other securities as the Collateral Agent may from time to time approve in its sole discretion.

"Deposit Account" has the meaning assigned to it in the Uniform Commercial Code as in effect from time to time in the State of New York.

"Effective Time" means the time when all conditions to the effectiveness of this Agreement set forth in Section 4 hereof have been satisfied.

"Securities Account" has the meaning assigned to it in the Uniform Commercial Code as in effect from time to time in the State of New York.

2. Amendments to Purchase Agreement. Conditional upon the occurrence of the Effective Time, the Purchase Agreement is amended as follows:

(a) Section 5 is amended in its entirety to reads as follows:

"5. "Affirmative Covenants. Parent and each Existing Guarantor, jointly and severally, covenant and agree that so long as the Notes are outstanding, Parent and each Existing Guarantor shall, and shall cause each of its Restricted Subsidiaries to, perform all covenants set forth in this Section 5.

5.1 [Reserved]

5.2 Certificate Upon Event of Default. Promptly upon any officer of Parent obtaining knowledge (a) of any condition or event that constitutes a Default or an Event of Default or that notice has been given to Parent with respect thereto; or (b) that any Person has given any notice to Parent or any of its Subsidiaries or taken any other action with respect to any event or condition set forth in Section 8(a)(iii), a certificate of an executive officer of Parent specifying the nature and period of existence of such condition or event, or specifying the notice given and action taken by any such Person and the nature of any such claimed Event of Default,

Default, event or condition, and what action Parent has taken, is taking and proposes to take with respect thereto.

5.3 Notice of Adverse Proceeding. Promptly upon any officer of Parent obtaining knowledge of the institution of, or non-frivolous threat of, any Adverse Proceeding not previously disclosed in writing by Parent to the Holders, or any material development in any Adverse Proceeding that, if adversely determined, could be reasonably expected to have a Material Adverse Effect, or seeks to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated hereby or any of the other Financing Documents, written notice thereof together with such other information as may be reasonably available to Parent to enable the Holders and their counsel to evaluate such matters.

5.4 Further Assurances. At any time or from time to time upon the request of Requisite Holders, Parent and any Guarantor shall, at its expense, promptly execute, acknowledge and deliver such further documents and do such other acts and things as Requisite Holders or the Collateral Agent may reasonably request in order to effect fully the purposes of the Financing Documents, including without limitation the Control Agreement for Deposit Accounts and/or Securities Accounts.

5.5 Tax Treatment.

(a) Parent and each Guarantor shall use their best efforts to ensure that any aspect of the Combination is not treated as a tax-free reorganization under the Internal Revenue Code.

(b) For purposes of determining the extent to which gain may be recognized pursuant to Section 897 of the Internal Revenue Code, the Parties agree to treat the conversion of Notes to Conversion Preferred Stock or Common Stock, as the case may be, pursuant to Sections 9.4 and 9.5 as an event in which no gain or loss is realized for United States federal income tax purposes, unless there is a change in Law affecting such treatment that becomes effective after the date of this Agreement. Notwithstanding the foregoing, to the extent any Conversion Preferred Stock or Common Stock is issued with respect to any accrued and unpaid interest (including PIK Notes) on a Note upon the conversion, the amount equal to such accrued and unpaid interest (including PIK Notes) shall constitute interest income to the Holder of such Note, unless such Holder previously included such amount as income.

5.6 Collateral Obligations. Parent shall cause each Guarantor to fulfill its obligations under the A-1 Security Documents and any amendment thereof."

(b) Section 6 is amended in its entirety to read as follows:

"6. Negative Covenants. Parent and the Guarantors, jointly and severally, covenant and agree that, so long as any Notes are outstanding Parent and each Guarantor shall perform, and shall cause each of its Restricted Subsidiaries to perform, all covenants in this Section 6.

6.1 Cash Covenant. Parent shall not permit aggregate Cash and Cash Equivalents of Parent and its Subsidiaries to be less than the "Applicable Amount" set forth on Attachment 1 hereto for the corresponding "Applicable Period" in suchAttachment 1 (which "Applicable Amounts" shall be adjusted from time to time in the manner set forth in Attachment 1). Such Cash and Cash Equivalents in such amounts shall at all times be held in Deposit Accounts or Securities Accounts for which Control Agreements are in effect (the terms "Cash", "Cash Equivalents", "Control Agreements" and "Securities Account" being used herein as defined in the Junior Pledge and Security Agreement, dated as of December 31, 2002, between each of the Parent and the other "Grantors" named therein and iSTT Investments Pte Ltd, as Collateral Agent, as amended by that certain Omnibus Amendment Agreement, dated as of November 24, 2004)."

6.2 Usury Laws. To the extent permitted by law, neither Parent nor the Guarantors shall seek to avoid, limit or otherwise fail to discharge any of the Financing Obligations under any applicable usury or similar laws.

6.3 Tax Treatment. Neither Parent nor the Guarantors shall take any action that would cause or would be likely to cause the Combination to be treated as a tax-free reorganization under the Internal Revenue Code."

3. Amendments to Junior Pledge and Security Agreement Conditional upon the occurrence of the Effective Time, the Junior Pledge and Security Agreement is amended as follows.

(a) Section 1.1 is amended by adding thereto, in the appropriate alphabetical order, the following new definitions:

"Cash" means all money, currency or a credit balance credited in any Securities Account.

"Cash Equivalents" means (i) direct sovereign obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), or obligations, the timely payment of principal and interest of which is fully guaranteed by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof); (ii) interest-bearing demand or time deposits (including certificates of deposit) which are held in banks which have general obligations rated at least AA or equivalent by S&P or Moody's; (iii) commercial paper rated (on the date of acquisition thereof) at least A-1 or P-1 or equivalent by S&P or Moody's, respectively; (iv) money market funds, so long as such funds are rated Aaa by Moody's and AAA by S&P; (v) floating rate securities whereby the interest rates is indexed to a money market index including Treasury bills, LIBOR, Prime Rate or Federal Funds and which have a rating of AAA by S&P; (vi) bonds and medium term notes, provided such investments have a minimum rating of AA or better by S&P; (vii) bankers acceptances, provided such investments have a minimum rating of AA or better by S&P; (viii) municipal obligations, so long as such funds are rated Aaa by Moody's and AAA by S&P; or (ix) any advances, loans or extensions of credit or any stock, bonds, notes, debentures or other securities as the Collateral Agent may from time to time approve in its sole discretion.

"Control Agreements" means (i) the Control Agreement attached as Exhibit A to the Omnibus Amendment Agreement dated as of November 24, 2004 by and among the Parent, the Guarantors, the Noteholders, the Collateral Agent, and Salomon Smith Barney Inc., and (ii) any other agreements substantially in the form of said Control Agreement, or in form and substance satisfactory to the Collateral Agent, entered into to replace or supplement the agreement referred to in the foregoing item (i), meeting the requirements set forth in the fifth sentence of Section 3.4(c) hereof, in each case as amended or supplemented from time to time."

"Securities Account" means "securities account" as defined in the UCC.

(b) Section 1.3 is amended in its entirety to read as follows:

"1.3 **Grant of Security.** Each Grantor hereby grants to the Collateral Agent a security interest and continuing lien on all of such Grantor's right title and interest in, to and under the following personal property of such Grantor in each case whether now owned or existing or hereafter acquired or arising and wherever located (all of which being hereinafter collectively referred to as the "**Collateral**"): (a) all Securities Accounts and

Deposit Accounts with respect to which Control Agreements have been executed and delivered to the Collateral Agent, (b) all Cash, Cash Equivalents, securities, securities entitlements, investments and other financial assets, investment property or other property from time to time credited thereto, (c) all proceeds thereof, (d) all distributions in connection therewith and (e) all income received thereon."

(c) All provisions of the Junior Pledge and Security Agreement that relate solely to (i) the Intercreditor Agreement or (ii) properties, assets or interests that do not constitute Collateral thereunder, shall be deemed deleted.

4. Release of Guarantors. Noteholders and Collateral Agent each agree that (a) each Guarantor is hereby released from all of its obligations under any Guaranty and (b) each such Guaranty is hereby terminated and of no further force and effect.

5. Conditions to Effectiveness. The effectiveness of the amendments to the Purchase Agreement set forth in Section 2 above, the effectiveness of the amendments to the Junior Pledge and Security Agreement set forth in Section 3 above and the release of the Guarantors set forth in Section 4 above shall be conditional upon the satisfaction of each of the following conditions (the time upon which all such conditions have been satisfied being hereinafter referred to as the "Effective Time"):

(a) Parent, the Collateral Agent and Salomon Smith Barney Inc. shall have executed and delivered to each other counterparts of the Control Agreement.

(b) There shall be on deposit in the Pledged Account Cash or Cash Equivalents in the aggregate amount of at least $38,466,350.

(c) The Collateral Agent shall have executed and delivered to Parent such documents (including termination statements under the Uniform Commercial Code), as are necessary to fully confirm, perfect and complete of record the termination of the liens and security interests of Collateral Agent in all of the items of properties, assets and interests that will no longer constitute Collateral under the Junior Pledge and Security Agreement upon the effectiveness of the amendments set forth in Section 3 hereof, and shall have returned to Parent or the appropriate Guarantor all securities and other collateral in the possession of the Collateral Agent.

6. Confirmation of Agreements. Except as expressly amended herein, the Purchase Agreement and the Junior Pledge and Security Agreement shall remain in full force and effect in accordance with their terms.

7. Cancellation of Certain Warrants. The Parties acknowledge that the Expiration Date under the Cash Trigger Warrants has occurred and such Warrants are terminated and are of no further force or effect.

8. Further Actions. The Collateral Agent shall, and each of the Noteholders authorizes and directs the Collateral Agent to, at no expense to the Collateral Agent or the Noteholders, take such actions as may be reasonably requested by Parent (i) to reflect the termination of all liens and security interests on properties, assets or interests of Parent or any of its Subsidiaries that will not, from and after the Effective Time, constitute Collateral, including the filing of Uniform Commercial Code termination statements and the return to Parent or the appropriate Guarantor of all securities and other possessory collateral held by the Collateral Agent and not constituting Collateral from and after the Effective Time, (ii) to evidence the termination of each Guaranty and the release of each Guarantor from its obligations thereunder or (iii) otherwise to give effect to the agreements made herein.

9. Counterparts. This Agreement may be executed in any number of counterparts and by the different Parties on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

10. Amendment, Waiver, etc. Neither this Agreement nor any of the terms hereof may be amended, waived or terminated unless such amendment, waiver or termination is in writing signed by Parent, the Collateral Agent and the Requisite Holders.

11. Governing Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of New York (including Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York).

12. Representations and Warranties of the Parties. Each of the Parties represents and warrants to one another that this Agreement has been duly authorized, executed and delivered and is the legal, valid, binding and enforceable obligation of each such Party and that such execution, delivery and performance by such Party does not violate any law, rule, regulation, order, contract, agreement or arrangement applicable to such Party.

13. Expenses. Parent shall promptly reimburse the Collateral Agent for all reasonable fees, costs and expenses incurred by it in connection with the negotiation, execution, delivery and performance of this Agreement, including but not limited to the Control Agreement(s), the aggregate amount of which is estimated by Collateral Agent to be approximately $35,000.

14. Termination. Collateral Agent shall be entitled to terminate this Agreement if the Effective Time does not occur by December 31, 2004 (unless the delay is caused by the failure or refusal of Collateral Agent to satisfy the condition set forth in Section 5(c)). Upon such termination, all rights and obligations of the Parties shall become null and void, except that Section 12 shall survive any termination of this Agreement and each Party shall remain liable for any breach by it of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the date first written above.

Parent:

EQUINIX, INC.

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

EQUINIX OPERATING CO., INC.

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

EQUINIX EUROPE, INC.

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

EQUINIX-DC, INC.

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

EQUINIX CAYMAN ISLANDS HOLDINGS

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

EQUINIX DUTCH HOLDINGS N.V.

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

EQUINIX NETHERLANDS B.V.

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

EQUINIX FRANCE SARL

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

EQUINIX GERMANY GMBH

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

EQUINIX UK LIMITED

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

PIHANA PACIFIC, INC.

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

PIHANA PACIFIC BUSINESS RECOVERY, INC.

By: /s/ PETER VAN CAMP
Name: Peter Van Camp
Title: CEO

Collateral Agent:

iSTT INVESTMENT PTE LTD,
as Collateral Agent

By: /s/ JEAN MANDEVILLE
Name: Jean Mandeville
Title: Chief Financial Officer

Noteholder:

iSTT INVESTMENT PTE LTD,
as Noteholder

By: /s/ JEAN MANDEVILLE
Name: Jean Mandeville
Title: Chief Financial Officer

EXHIBIT 10.109
CONFIDENTIAL TREATMENT REQUESTED
CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES EXCHANGE COMMISSION.

ASSIGNMENT AND ASSUMPTION OF LEASE

This ASSIGNMENT AND ASSUMPTION OF LEASE (this "Agreement"), dated as of December 6, 2004, is entered into by and between ABOVENET COMMUNICATIONS, INC., a Delaware corporation ("Assignor") and EQUINIX OPERATING CO., INC., a Delaware corporation ("Assignee").

RECITALS

WHEREAS, Assignor is the current lessee under that certain Lease dated as of December 29, 1999 by and between BROKAW INTERESTS ("Landlord") and Assignor, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference (the "Lease"), pursuant to which Assignor leases from Landlord certain real property described therein and located in San Jose, California, which is commonly referred to as 1735 Lundy Avenue and is more particularly identified in the Lease (the "Premises");

WHEREAS, Assignor desires to assign to Assignee, and Assignee desires to assume from Assignor, all of Assignor's rights, title, interests, privileges and obligations as lessee under the Lease on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. <u>Terms</u>. Capitalized terms used herein but not defined herein shall have the meanings specified in the Lease.

2. <u>Assignment</u>. Assignor does hereby assign, transfer and set over to Assignee effective from and after the Effective Date, as defined below, (i) all of Assignor's rights, title, interests, privileges and benefits as lessee in, to, and under the Lease, including, without limitation, the Security Deposit and, (ii) all of Assignor's rights, title, interests, privileges and benefits in and to the Premises; to have and to hold the same together with all rights, easements, privileges and appurtenances thereunto belonging or appertaining or held and enjoyed therewith, for and during the full unexpired term of the Lease.

3. <u>Acceptance</u>. Assignee hereby accepts the within assignment from and after the Effective Date and, in addition, does hereby covenant and agree, for the benefit of Assignor and Landlord, to faithfully observe, assume, keep, perform and fulfill all of the terms, covenants, conditions and obligations required to be observed, performed and fulfilled by the lessee under the Lease accruing from and after the Effective Date.

4. <u>Delivery of Premises</u>. Assignor and Assignee acknowledge and agree that possession of the Premises shall only be delivered to Assignee on the Effective Date. In addition, Assignor and Assignee also acknowledge and agree that Assignee shall accept the Premises in an "AS IS" condition and, except as set forth in Section 9(a)(v) below, Assignor has made no representations or warranties regarding the physical condition of the Premises or its suitability for Assignee's use and that Assignee is relying on its own independent investigation of the Premises in entering into this Agreement. Notwithstanding the foregoing, the Assignor states that to the best of its knowledge, without any independent investigation or special inquiry (i) it has received no written notice of violations of local, state or federal building codes, statues, rules or regulations, including, without limitation, the Americans With Disabilities Act ("ADA") or any applicable life safety requirements, with respect to the Tenant Improvements and other Alterations made by the Assignor to the Premises, (ii) all mechanical and electrical systems for the Premises, including, without limitation, all power distribution systems, emergency generators and accompanying fuel delivery systems, HVAC systems (including airside, waterside, controls and automation elements thereof), building alarm and security management systems, life safety and fire suppression systems, and lighting systems, are in ordinary operating condition, (iii) the electrical distribution system for the Premises has a rated critical load capacity of **[*]** megawatts; Assignor's use of such electrical distribution system has not reached such critical load capacity but such system has been adequate for Assignor's uses at the Premises, and (iv) it has received no written notice that any underground storage tanks located on the Premises leak or have leaked during the term of the Lease. Assignor shall have no liability in connection with the statements in the preceding sentence unless and to the extent that such statements are determined by a court of competent jurisdiction to be intentionally fraudulent in making such statements. A list of Tenant Improvements, Alterations, trade fixtures, equipment and components existing in the Premises is attached as Exhibit B. Assignor agrees that in the event of any casualty loss or condemnation to the Premises between the date hereof and the Effective Date that would give the Assignor the right to terminate the Lease with respect to all or a part of the Premises that Assignor shall not exercise such right without the consent of Assignee, which consent shall not be unreasonably withheld, conditioned or delayed. Assignor also agrees that Assignor shall provide Assignee with early access to the Premises for the purposes of inspecting the Premises relating to improvements or alterations that Assignee may desire to make on the Premises and related activities, subject to appropriate insurance and indemnities from Assignee.

5. <u>Conveyance of Personal Property and Related Items</u>. As a condition to the Effective Date, Assignor and Assignee must enter into a Bill of Sale (the "Bill of Sale"), to be attached hereto as Exhibit C and incorporated herein by this reference, pursuant to which Assignor will transfer to Assignee the Tenant Improvements and Alterations and Tenants' trade fixtures, equipment and components. Any sales taxes associated with the transfer of such personal property will be paid for as provided in the Bill of Sale. On the Effective Date Assignor shall also assign to Assignee, pursuant to a mutually acceptable form assignment, and without recourse to Assignor, (i) any service contracts relating to the use or operation of the Premises that are approved by Assignee, if and to the extent that the same are assignable without the consent of the other party thereto, (a list of all service contracts with respect to the Premises is

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* CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

attached as Schedule 1) (ii) all warranties, guaranties, causes of action or similar intangible personal property rights, if any, and to the extent that the same are assignable without the consent of the other party thereto, (a list of all such warranties, guaranties, causes of action or similar intangible personal property rights with respect to the Premises is attached as Schedule 2) relating to the use or operation of the Premises, and shall deliver to Assignee all keys, operating manuals, books and records, copies of service or vendor contracts, utility bills, statements from Landlord and similar items relating to the use or occupancy of the Premises.

6. Consent/Final Agreement. The "Effective Date" for this Agreement shall be the later of (i) the date on which (a) the consent of Landlord required under the Lease is obtained and the Assignee and Landlord have entered into First Amendment to Lease in the form attached hereto as Exhibit D and (b) the Assignor and the Assignee have agreed to terms on and executed the Bill of Sale to be attached hereto as Exhibit C; and (ii) March 1, 2005. The date on which the foregoing conditions are satisfied is referred to as the "Effective Date" and upon the occurrence of such date, this Agreement shall be considered a final agreement (and not executory) and no further action on behalf of Assignor or Assignee shall be required. If on or before December 31, 2004 (x) the Landlord shall not have consented to this Agreement and entered into the First Amendment to Lease or (y) Assignor and the Assignee have not agreed to terms on and executed the Bill of Sale, this Agreement shall automatically terminate.

7. Master Service Agreement. Assignor and Assignee acknowledge that Assignor shall have the right, pursuant to that certain Master Service Agreement dated as of March 31, 2003 between Assignor and Assignee (the "MSA"), as supplemented by the Amendment to the Master Service Agreement dated of even date herewith, to use and occupy the portion of the Premises referred to as Collocation Room #5 for the purpose of maintaining and operating its IP infrastructure, fiber termination panels and other equipment. Assignor and Assignee acknowledge that the Assignor's right to use said Collocation Room #5 in connection with the foregoing is only pursuant to the MSA and is not a right under the Master Lease and shall be subject to all of the provisions of the MSA, as it may be amended from time to time. In the event that Assignee defaults on its obligations under this Agreement, Assignor shall have the option to terminate the MSA with respect to Collocation Room #5, in Assignor's sole discretion.

8. Security Deposit. Upon the Effective Date, Assignee shall pursuant to a separate agreement between Assignor and Assignee reimburse Assignor for the net present value of the Security Deposit posted by Assignor under the Lease and not previously returned to Assignor.

9. Representations and Warranties.

(a) Assignor hereby represents and warrants to Assignee as of the date hereof:

i. Assignor is a corporation duly organized under the laws of Delaware and has full right, power and authority to enter into this Agreement and to carry out its obligations hereunder and all required corporate actions necessary to authorize Assignor to enter into this Agreement and to carry out its obligations hereunder have been taken.

ii. Attached hereto as Exhibit A is a true and complete copy of the Lease, including all amendments or modifications thereto, which constitute all agreements between Landlord and Assignor affecting the Premises.

iii. Assignor is the holder of the entire interest of the tenant under the Lease.

iv. Subject to obtaining the consent of Landlord, Assignor has obtained all consents and approvals required to allow this Agreement to be valid and effective on its part, provided that this representation does not apply to service contracts, warranties, license agreements or other contracts or intangible personal property rights referenced generally in Section 5 hereinabove where the consent of other parties may be required.

v. The Premises will be in substantially the same condition on the Effective Date as on the date hereof, normal wear and tear and damage by insured casualty excepted, provided such proceeds are remitted to Assignee if the damage is not repaired.

vi. To the best of its knowledge there are no defaults by any party under the Lease and there are no events or circumstances which with the passage of time and or the giving of notice would result in a default under the Lease, except that a dispute exists between Landlord and Assignor regarding Landlord's obligation to return a portion of the Security Deposit.

vii. Assignor has paid and performed all obligations required to be paid or performed by Assignor under the Lease through the Effective Date.

viii. The term of the Lease expires on May 31, 2020.

ix. Schedule 3 contains a listing of the additional charges paid by Assignor under the Lease for the most recent two (2) fiscal years.

(b) Assignee warrants and represents to Assignor as follows:

i. Assignee is a corporation duly organized under the laws of Delaware and has full right power and authority to enter into this Agreement and to carry out its obligations hereunder and all required corporate actions necessary to authorize Assignee to enter into this Agreement and to carry out its obligations hereunder have been taken. Subject to obtaining the consent of Landlord, Assignee has obtained all consents and approvals required to allow this Agreement to be valid and effective on its part,

ii. Assignor has reviewed the terms of the Lease.

10. Indemnity.

(a) Assignor hereby indemnifies and agrees to defend, through attorneys reasonably acceptable to Assignee, and to hold harmless Assignee and its respective successors, assigns, legal and beneficial owners, officers, directors, agents and employees ("Assignee Parties") from and against any and all reasonable costs, damages (excluding consequential damages), claims, expenses and liabilities which may at any time be asserted against or suffered by Assignee or the Assignee Parties as a result of or on account of any material breach by Assignee of any representation, warranty or covenant contained in this Agreement, or which arise or have arisen, under the Lease as a result of acts, omissions or events that occur prior to the Effective Date. Assignee hereby indemnifies and agrees to defend, through attorneys reasonably acceptable to Assignor, and to hold harmless Assignor and its respective successors, assigns, legal and beneficial owners, officers, directors, agents and employees ("Assignor Parties") from and against any and all reasonable costs, damages (excluding consequential damages), claims, expenses and liabilities which may at any time be asserted against or suffered by Assignor or the Assignor Parties as a result of or on account of any material breach by Assignee of any representation, warranty or covenant contained in this Agreement, or which arise or have arisen, under the Lease as a result of acts, omissions or events that occur on or after the Effective Date.

(b) Assignee shall deliver to Assignor within three (3) business days after Assignee's receipt thereof, or delivery thereof by Assignee, a copy of any default notice received from or delivered to Landlord under the Lease. Assignee agrees that in the event that Assignee defaults in any of its obligations under the Lease and demand is made upon Assignor to perform or cure such obligations that Assignee shall upon written request from Assignor made at any time after the expiration of any applicable grace period in connection with such default and prior to the cure thereof by Assignee: (i) reassign to Assignor, without recourse, representation or warranty, but free and clear of all liens and encumbrances, all of Assignee's interest under the Lease and deliver the Premises to Assignor in the same condition as exists on the Effective Date, subject to normal wear and tear and loss by casualty or condemnation, (ii) transfer to Assignor free and clear of all liens and encumbrances any equipment or other personal property transferred to Assignee in connection with the assignment contemplated herein and assign to Assignor all of Assignee's interest in any Tenant Improvements or Alterations, each with recourse, representation or warranty and (iii) transfer to Assignor without recourse, representation or warranty all service contracts or intangible personal property related to the leasehold interest or the operation of the Premises as a collocation facility. In connection with any such reassignment of the Lease to the Assignor, (y) Assignor shall have a right of reentry to the Premises to effectuate an orderly transition of the occupancy of the Premises, and (z) Assignor shall reimburse Assignee for any Security Deposit, whether in the form of cash or a letter of credit, held by Landlord, less any amounts which Landlord actually applies on account of defaults by Assignee under the Lease and any actual damages suffered by Assignor on account of any such defaults by Assignee.

11. Prorations. All expenses with respect to the Premises shall be apportioned as of the Effective Date as follows, with Assignee being responsible for and getting the benefit of all such items during the entire day on which Effective Date occurs and thereafter and Assignor being responsible for and getting the benefit of all such items for the period prior to the Effective Date. If any of the aforesaid prorations cannot be calculated accurately on the Effective Date, then they shall be calculated as soon after the Effective Date as feasible. Either party owing the other party a sum of money based on such subsequent proration(s) shall promptly pay said sum to the other party, with interest thereon at the rate of ten percent (10%) per annum from the Effective Date to the date of payment, if payment is not made within ten (10) days after delivery of a bill therefor.

12. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective legal representatives, successors and assigns of the parties hereto. The words “Assignor” and “Assignee,” wherever used herein, shall include the persons and entities named herein or in the Lease and designated as such and their respective heirs, legal representatives, successors or assigns.

13. Notices. All notices or requests provided for hereunder shall be in writing and shall be delivered by any of the following methods: (a) hand, (b) United States Registered or Certified Mail, return receipt requested, postage prepaid, or (c) prepaid nationally recognized overnight carrier, and if to Assignor, to Abovenet Communications, Inc., 360 Hamilton Avenue, White Plains, New York 10601, Attention: President, with a copy to the same address Attention and General Counsel; or if to Assignee, to Equinix Operating Co., Inc., 301 Velocity Way, 5th Floor, Foster City, CA 94404, Attention: Director of Real Estate, Facsimile No. (650) 513 7909, with a copy to Equinix Operating Co., Inc., 301 Velocity Way, 5th Floor, Foster City, CA 94404, Attention: General Counsel, Facsimile No. (650) 513 7909. All such notices shall be deemed received either when hand delivered if sent in the manner provided in (a) above, two (2) business days after being placed in the United States Mail if sent in the manner set forth in (b) above or upon delivery or attempted delivery if sent in the manner provided in (c) above. The parties hereto shall have the right from time to time to change their respective address by at least five (5) days prior written notice to the other party.

14. Brokers. Each of Assignor and Assignee represents and warrants to the other that it has dealt with no broker, agent or other person in connection with this Agreement other than CB Richard Ellis, Inc. and Liberty Greenfield LLP, whose commission will be paid by Assignor pursuant to a separate written agreement. Each of Assignor and Assignee agrees to indemnify and hold the other harmless from and against any claims by any broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with the indemnifying party with regard to this Agreement. The provisions of this Section 14 shall survive the expiration or earlier termination of this Agreement.

15. Reimbursement for Landlord’s Expenses. Assignor shall, in accordance with the terms of the Lease, reimburse Landlord for the expenses incurred by Landlord in connection with the request for Landlord’s consent to this Agreement, including, but not limited to, reasonable attorneys’ fees and disbursements.

16. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the state of California (without giving effect to its choice of law principles).

17. Confidentiality. Assignor and Assignee shall each maintain as confidential any and all non-public material obtained about the other and the transactions contemplated hereby, and shall not, except as required by law or governmental regulation applicable to Assignor or Assignee, disclose such information to any third party. Notwithstanding the foregoing, Assignor and Assignee shall have the right to disclose such information to their respective lenders or their employees and agents and such other persons whose assistance is required in carrying out the terms of this letter provided that all such persons are told that such information is confidential and agree (in writing for any third party

consultants) to keep such information confidential. Assignor and Assignee shall each have the right to publicize the consummation of this Agreement (other than the monetary terms) in whatever manner each deems appropriate; provided, however, that any press release or other public disclosure regarding the transactions contemplated herein, and the wording of same, must be approved in writing in advance by both parties.

18. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

19. Severability. In the event that any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

20. Attorneys' Fees. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees from the other party.

21. Amendments. This Agreement may not be altered, changed or amended, except by an instrument in writing executed by all parties hereto.

22. Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and undertakings, both written and oral, among Assignor and Assignee with respect to the subject matter hereof and is not intended to confer upon any other person or entity any rights or remedies hereunder, except as otherwise expressly provided herein.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Agreement as of the date first above written.

Assignor:

ABOVENET COMMUNICATIONS, INC.
a Delaware corporation

By: /s/ ROBERT SOKOTA
Name: Robert Sokota
Title: SVP & General Counsel

Assignee:

EQUINIX OPERATING CO., INC.
a Delaware corporation

By: /s/ RENEE F. LANAM
Name: Renee Lanam
Title: Chief Financial Officer

CONSENT

Landlord hereby consents to the foregoing Assignment and Assumption of Lease on the terms and conditions set forth above. The foregoing consent of Landlord shall not release AboveNet Communications, Inc. from any of its obligations under the Lease. Without limiting the generality of the foregoing, the Landlord specifically agrees to the reassignment provisions contained in Section 10.(b) above. Landlord also represents and warrants as follows to the Assignor and Assignee:

i. Attached hereto as Exhibit A is a true and complete copy of the Lease, including all amendments or modifications thereto, which constitute all agreements between Landlord and Assignor affecting the Premises.

ii. To the best of its knowledge, and except for the dispute described in paragraph 9(a)(vi) above, there are no defaults by any party under the Lease and there are no events or circumstances which with the passage of time and or the giving of notice would result in a default under the Lease. Landlord acknowledges and agrees that upon the occurrence of the Effective Date as described above and the execution of the accompanying First Amendment to Lease, the foregoing dispute shall be resolved in all respects.

iii. Assignor has paid and performed all obligations required to be paid or performed by Assignor under the Lease through the Effective Date.

iv. The term of the Lease expires on May 31, 2020.

Landlord also acknowledges and agrees that it is not entitled to receive any amounts pursuant to Section 17.B. of the Lease with respect to the assignment and assumption of Lease contemplated herein and the acquisition by Assignee of Assignee's interest in the Tenant Improvements, Alterations and other personal property in connection with this Agreement.

Landlord:

BROKAW INTERESTS,
a California limited partnership

By: /s/ JOHN M. SOBRATO
Name: John M. Sobrato
Title: General Partner

EXHIBIT A

Lease Between
Brokaw Interests and AboveNet Communications, Inc.

1. PARTIES: THIS LEASE is entered into on this 29th day of December, 1999 ("Effective Date"), between Brokaw Interests, a California Limited Partnership, whose address is 10600 North De Anza Boulevard, Suite 200, Cupertino, CA 95014 and AboveNet Communications, Inc., a Delaware Corporation, whose address is 50 West San Fernando Street, Suite 1010, San Jose, California, 95113, hereinafter called respectively Landlord and Tenant.

2. PREMISES: Landlord hereby leases to Tenant, and Tenant hires from Landlord those certain Premises with the appurtenances, situated in the City of San Jose, County of Santa Clara, State of California, commonly known and designated as 1735 Lundy Avenue and consisting of 103,420 rentable square feet ("Building") as shown on Exhibit "A" and all improvements located therein including but not limited to buildings, parking areas, landscaping, loading docks, sidewalks, service areas and other facilities. Unless expressly provided otherwise, the term Premises as used herein shall include the Tenant Improvements (defined in Section 5.B and subject to Tenant's ownership thereof) constructed by Tenant pursuant to Section 5.B.

3. USE:

A. Permitted Uses: Tenant shall use the Premises only for the following purposes and shall not change the use of the Premises without the prior written consent of Landlord: Internet colocation and connection, telecommunications, data center and office uses, together with related service and support functions. All commercial trucks and delivery vehicles shall be parked at the rear of the Building, and permitted to remain on the Premises only so long as is reasonably necessary to complete the loading and unloading. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws.

B. Uses Prohibited: Tenant shall not commit or suffer to be committed on the Premises any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the Premises, nor allow any sale by auction or any other use of the Premises for an unlawful purpose. Tenant shall not: (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the building or set any load on the floor in excess of the load limits for which such items are designed, except as expressly set forth in the Tenant Improvement Plans and Specifications and unless the building is modified by Tenant to support such loads, or (iii) generate dust, fumes or waste products which create a fire or health hazard or damage the Premises, including without limitation the soils or ground water in or around the Premises. Except as expressly set forth in the Tenant Improvement Plans and Specifications, no materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Premises outside of the Building without Landlord's prior approval, which approval may be withheld in its sole discretion.

C. Advertisements and Signs: Tenant will not place or permit to be placed, in, upon or about the Premises any signs not approved by the city and other governing authority having jurisdiction. Tenant will not place or permit to be placed upon the Premises any signs, advertisements or notices without the written consent of Landlord as to type, size, design, lettering, coloring and location, which consent will not be unreasonably withheld. Any sign placed on the Premises shall be removed by Tenant, at its sole cost, prior to the Expiration Date or promptly following the earlier termination of the Lease, and Tenant shall repair, at its sole cost, any damage or injury to the Premises caused thereby, and if not so removed, then Landlord may have same so removed at Tenant's expense.

D. Covenants, Conditions and Restrictions: This Lease is subject to the effect of (i) any covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or documents of record; and (ii) any zoning laws of the city, county and state where the Building is situated (collectively referred to herein as "Restrictions") and Tenant will conform to and will not violate the terms of any such Restrictions.

4. TERM AND RENTAL:

A. Base Monthly Rent: The term ("Lease Term") shall be for two hundred forty five (245) months, commencing on the date Landlord delivers possession of the Premises to Tenant, estimated to occur on January 1, 2000 (the "Commencement Date"), subject to adjustment pursuant to Section 6.A below, and ending 245 months thereafter ("Expiration Date"). Notwithstanding the Parties agreement that the Lease Term begins on the Commencement Date, this Lease and all of the obligations of Landlord and Tenant shall be binding and in full force and effect from and after the Effective Date. In addition to all other sums payable by Tenant under this Lease, Tenant shall pay base monthly rent ("Base Monthly Rent") for the Premises pursuant to the following schedule:

Months 01 - 05:	**[*]**
Months 06 - 17:	**[*]**
Months 18 - 29:	**[*]**
Months 30 - 41:	**[*]**
Months 42 - 53:	**[*]**
Months 54 - 65:	**[*]**
Months 66 - 77:	**[*]**
Months 78 - 89:	**[*]**
Months 90 - 101:	**[*]**
Months 102 - 113:	**[*]**
Months 114 - 125:	**[*]**
Months 126 - 137:	**[*]**
Months 138 - 149:	**[*]**
Months 150 - 161:	**[*]**
Months 162 - 173:	**[*]**
Months 174 - 185:	**[*]**
Months 186 - 197:	**[*]**
Months 198 - 209:	**[*]**
Months 210 - 221:	**[*]**
Months 222 - 233:	**[*]**
Months 234 - 245:	**[*]**

Base Monthly Rent shall be due in advance on or before the first day of each calendar month during the Lease Term, commencing on the first day of the 6th month following the Commencement Date. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and without prior notice or demand, at the address specified in Section 1 of this Lease or at such place or places as may be designated in writing by Landlord during the Lease Term. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment. Concurrently with Tenant's execution of this Lease, Tenant shall pay to Landlord the sum of **[*]** as prepaid rent for the first month of the Lease for which Base Monthly Rent is due.

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* CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

B. Late Charges: Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant shall not be received by Landlord or its designee within five (5) business days after the rent is due, Tenant shall pay to Landlord a late charge equal to five (5%) percent of such overdue amount, which late charge shall be due and payable on the same date that the overdue amount was due. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and attorney's fees and costs. If any rent or other sum due from Tenant remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the Agreed Interest Rate specified in Section 19.J following the date such amount became due until paid. Acceptance by Landlord of such late charge shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder, in the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Monthly Rent, then the Base Monthly Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary.

C. Security Deposit: Concurrently with Tenant's execution of this Lease, Tenant has deposited with Landlord the sum of One Million Four Hundred Twenty Seven Thousand and No/100 Dollars ($1,427,000.00) ("Security Deposit"). Landlord shall not be deemed a trustee of the Security Deposit, may use the Security Deposit in business, and shall not be required to segregate it from its general accounts. Tenant shall not be entitled to interest on the Security Deposit. If Tenant defaults with respect to any provisions of the Lease, including but not limited to the provisions relating to payment of Base Monthly Rent or other charges, Landlord may, to the extent reasonably necessary to remedy Tenant's default, use any or all of the Security Deposit towards payment of the following: (i) Base Monthly Rent or other charges in default; (ii) any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default including, but not limited to Tenant's failure to restore or clean the Premises following vacation thereof. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) days after written demand from Landlord, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its full original amount, and shall pay to Landlord such other sums as necessary to reimburse Landlord for any sums paid by Landlord. Tenant may not assign or encumber the Security Deposit without the consent of Landlord. Any attempt to do so shall be void and shall not be binding on Landlord. The Security Deposit shall be returned to Tenant within thirty (30) days after the Expiration Date and surrender of the Premises to Landlord, less any amount deducted in accordance with this Section, together with Landlord's written notice itemizing the amounts and purposes for such deduction. In the event of termination of Landlord's interest in this Lease, Landlord may deliver or credit the Security Deposit to Landlord's successor in interest in the Premises and thereupon be relieved of further responsibility with respect to the Security Deposit to the extent that Landlord's successor assumes all obligations under this Lease.

Landlord agrees that in lieu of a cash Security Deposit, Tenant may deposit a letter of credit in a form reasonably acceptable to Landlord. Landlord shall be entitled to draw against the letter of credit at any time provided only that Landlord certifies to the issuer of the letter of credit that Tenant is in default under the Lease. Tenant shall keep the letter of credit in effect during the entire Lease Term, as the same may be extended, plus a period of four (4) weeks after expiration of the Lease Term. At least thirty (30) days prior to expiration of any letter of credit, the term thereof shall be renewed or extended for a period of at least one (1) year. Tenant's failure to so renew or extend the letter of credit shall be a material default of this Lease by Tenant. In the event Landlord draws against the letter of credit, Tenant shall replenish the existing letter of credit or cause a new letter of credit to be issued such that the aggregate amount of letters of credit available to Landlord at all times during the Lease Term is the amount of the Security Deposit originally required.

Notwithstanding the foregoing, Tenant may reduce the amount of the Security Deposit upon the following conditions: (i) after the 36th month of the Lease Term, the amount of the Security Deposit may be reduced by $713,500.00 provided Tenant has not been in monetary default under the Lease during the previous 36 months; (ii) after the 72nd month of the Lease Term, the amount of the Security Deposit may be reduced by $583,500.00 provided Tenant has not been in monetary default under the Lease during the previous 36 months; and (iii) provided Tenant has not been in monetary default under the Lease during the Lease Term, the amount of the Security Deposit shall be reduced to $130,000.00 after Tenant's parent company, Metromedia Fiber Network, Inc., has posted a net profit (before interest, tax, depreciation, and amortization expenses) for four (4) consecutive quarters.

5. CONSTRUCTION:

A. Landlord's Work: Within the first two (2) months of the Lease Commencement Date, Landlord shall: (i) ensure that the Building structure and Building exterior is in compliance with all applicable city, state, and government zoning codes, laws and regulations (excluding ADA, which is specifically addressed below); and (ii) ensure that the Premises are properly closed with respect to Hazardous Materials associated with the Premises' former use, and deliver to Tenant all related documentation in Landlord's possession. Landlord agrees to reimburse Tenant for the cost of: (i) putting the existing Building systems (excluding Building systems installed as part of the Tenant Improvements, or Building systems Tenant intends to remove) in good operating condition and repair including the plumbing, HVAC, and electrical; (ii) any required ADA modifications to the Premises, excluding ADA requirements for new Tenant Improvements and improvements Tenant intends to remove. Landlord also agrees to reimburse Tenant the sum of Fifty Two Thousand and No/100 Dollars ($52,000.00) towards Tenant's cost of installing a new roof membrane on the Building within the first year of the Lease Term.

B. Tenant Construction: Within the first year of the Lease Term, Tenant agrees to remove the existing disc media fabrication improvements at the Premises and install new improvements ("Tenant Improvements") consistent with Tenant's use of the Premises as a data center. Tenant shall cause all improvements to the Premises not included in Landlord's Work to be constructed at Tenant's expense by a general contractor selected by Tenant ("General Contractor") in accordance with construction plans and outline specifications prepared at Tenant's expense by an architect selected by Tenant ("Tenant's Architect"), to be attached to this Lease as Exhibit "B" ("Tenant Improvement Plans and Specifications"). The Tenant Improvements Plans and Specifications shall include any information required by the relevant agencies regarding Tenant's use of Hazardous Materials, if applicable. Prior to commencing construction of the Tenant Improvements, Tenant shall: (i) obtain all required governmental approvals and permits; and (ii) provide Landlord seven (7) days' prior notice so that Landlord may post a notice of nonresponsibility. Landlord acknowledges that the Tenant improvements will include typical improvements which support combined office and data-telecommunications center uses, which may consist of the following: (i) raised floors; (ii) floor-to-ceiling equipment racks; (iii) additional power panels, power converters, and related equipment and fixtures to provide within the Premises additional electric power to support telecommunication equipment; (iv) a UPS system, including back-up, diesel powered generators; (v) fiber conduit, cabling, and risers to support servers, routers, and other equipment; (vi) antenna in the antenna farm; (vii) specialized HVAC systems to support temperature requirements for data-telecommunications areas, including dry cooler units; and (viii) wall partitions to create separate office areas. As part of the Tenant Improvements, Tenant shall have the right, at its sole cost, to install a trench and conduit from the street to the carrier rooms to be located within the Premises, provided that plans and specifications and the contractor to be retained for such work are subject to Landlord's reasonable approval. Any Tenant Improvement work shall be conducted at Tenant's risk and in accordance with all Laws. Tenant shall indemnify and hold Landlord harmless from and against all costs, damages, claims, liabilities and expenses (including attorneys' fees) suffered by or claimed against Landlord, directly or indirectly, based on, arising out of or resulting from Tenant's construction of the Tenant Improvements. All costs associated with Tenant Improvements shall be paid by Tenant. Immediately upon completion of the Tenant Improvements, Tenant agrees to provide Landlord a complete set of half-size (15" x 21") vellum as-built drawings for the Tenant Improvements and a certificate of occupancy for the Premises. The Tenant Improvements shall be the property of Tenant until the expiration of the Lease Term or any earlier termination of the Lease, at which time the Tenant Improvements shall become the property of Landlord and shall remain upon and be surrendered with the Premises, and title thereto shall automatically vest in Landlord without any payment therefor.

6. ACCEPTANCE OF POSSESSION AND COVENANTS TO SURRENDER:

A. Delivery and Acceptance: Landlord shall deliver and Tenant shall accept possession of the Premises on the Commencement Date provided, however, that Landlord shall retain a right of entry to complete Landlord's Work provided Landlord does not interfere with construction of Tenant Improvements. Tenant acknowledges that it has had an opportunity to conduct, and has conducted, such inspections of the Premises as it deems necessary to evaluate its condition. Except as otherwise specifically provided herein, Tenant agrees to accept possession of the Premises in its then existing condition, subject to all Restrictions and without representation or warranty by Landlord except as provided in Section 5 above.

Landlord and Tenant hereby acknowledge that: (i) Komag Corporation ("Komag") currently occupies the Premises; and (ii) Landlord and Komag have executed a lease termination agreement, attached as Exhibit "D", that terminates Komag's lease on December 31, 1999. Landlord, at its sole cost and expense, shall use its reasonable best efforts to assure that Komag vacates and surrenders the Premises, which efforts shall include, without limitation, the prompt initiation of an unlawful detainer proceeding if necessary. Landlord shall be obligated to deliver the Premises to Tenant in such condition (the "Required Condition") that it is free of possession by Komag with equipment and fixtures of Komag removed or left in place pursuant to Exhibit "E" attached hereto.

B. Late Delivery: In the event Landlord does not deliver the Premises to Tenant in the Required Condition by January 1, 2000, then the Commencement Date shall not occur until such delivery is made. Further, in the event Landlord does not deliver the Premises to Tenant in the Required Condition by February 1, 2000, then in addition to such delayed Commencement Date, the Base Monthly Rent which is otherwise payable commencing on the 6th month thereafter shall be abated by a per diem (calculated on a 30-day month using the Base Monthly Rent rate applicable in the 6th month of the Lease Term) amount for each day in the period commencing on February 1, 2000 and ending on the date the Premises are delivered to Tenant in the Required Condition. The rent abatement for a delay in the Commencement Date shall be the sole and exclusive remedy of Tenant with respect to the failure by Landlord to deliver the Premises to Tenant in the Required Condition.

Notwithstanding anything to the contrary contained in this Lease, in the event: (i) Komag has not obtained a closure permit (or other evidence from applicable governmental agencies) by January 15, 2000 affirming that Komag has removed all Hazardous Materials associated with its use at the Premises; and (ii) Base Monthly Rent is not already being abated pursuant to the preceding paragraph, then this Lease shall not be void or voidable nor shall Landlord be liable for any loss or damage resulting therefrom; however, Landlord shall pay to Tenant an amount equal to all Holdover Rent due from Komag to Landlord pursuant to paragraph 5 of the attached Exhibit "D".

C. Condition Upon Surrender: Tenant further agrees on the Expiration Date or on the sooner termination of this Lease, to surrender the Premises to Landlord in good condition and repair, normal wear and tear excepted. In this regard, "normal wear and tear" shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of the best standards for maintenance, repair replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. In any event, Tenant shall cause the following to be done prior to the Expiration Date or sooner termination of this Lease: (i) all interior walls shall be repaired, patched and otherwise made paint-ready, (ii) all tiled floors shall be cleaned and waxed, (iii) all carpets shall be cleaned and shampooed, (iv) all broken, marred, stained or non-conforming acoustical ceiling tiles shall be replaced, (v) all cabling placed above the ceiling by Tenant or Tenant's contractors shall be removed, (vi) all windows shall be washed; (vii) the HVAC system shall be serviced by a reputable and licensed service firm and left in "good operating condition and repair" as so certified by such firm, (viii) the plumbing and electrical systems and lighting shall be placed in good order and repair (including replacement of any burned out, discolored or broken light bulbs, ballasts, or lenses. On or before the Expiration Date or sooner termination of this Lease, Tenant shall remove all its personal property and trade fixtures from the Premises. All property and fixtures not so removed shall be deemed as abandoned by Tenant. At the expiration of the Lease Term, Landlord shall not have the right to require that Tenant remove from the Premises any of the Tenant Improvements (other than Tenant's equipment, fixtures and components) or any Alterations made with Landlord's consent unless Landlord, at the time of granting such consent, indicates that the subject Alteration must be removed upon the expiration of the Lease Term. With respect to Permitted Alterations as defined in Section 7.A below, Tenant shall ascertain from Landlord within ninety (90) days before the Expiration Date whether Landlord desires to have such Permitted Alterations removed. Tenant shall repair any damage to the Building which results from Tenant's removal of any Permitted Alteration and any improvements and/or Tenant's equipment, fixtures, and components. Such repair and restoration shall include causing the Premises to be brought into compliance with all applicable building codes and laws in effect at the time of the removal to the extent such compliance is necessitated by the repair and restoration work.

D. Failure to Surrender: If the Premises are not surrendered at the Expiration Date or sooner termination of this Lease in the condition required by this Section 6, Tenant shall be deemed in a holdover tenancy pursuant to this Section 6.C and Tenant shall indemnify, defend, and hold Landlord harmless against loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay and costs incurred by Landlord in returning the Premises to the required condition, plus interest at the Agreed Interest Rate. Any holding over after the termination or Expiration Date with Landlord's express written consent, shall be construed as month-to-month tenancy, terminable on thirty (30) days written notice from either party, and Tenant shall pay as Base Monthly Rent to Landlord a rate equal to one hundred twenty five percent (125%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. Any holding over shall otherwise be on the terms and conditions herein specified, except those provisions relating to the Lease Term and any options to extend or renew, which provisions shall be of no further force and effect following the expiration of the applicable exercise period. If Tenant remains in possession of the Premises after the Expiration Date or sooner termination of this Lease without Landlord's consent, Tenant's continued possession shall be on the basis of a tenancy at sufferance and Tenant shall pay as rent during the holdover period an amount equal to one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. This provision shall survive the termination or expiration of the Lease.

7. ALTERATIONS AND ADDITIONS:

A. Tenant's Alterations: Tenant shall not make, or suffer to be made, any alteration or addition to the Premises ("Alterations"), or any part thereof, without obtaining Landlord's prior written consent and delivering to Landlord the proposed architectural and structural plans for all such Alterations at least fifteen (15) days prior to the start of construction. If such Alterations affect the structure of the Building, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant's plans. After obtaining Landlord's consent, which consent shall state whether or not Landlord will require Tenant to remove such Alteration at the expiration or earlier termination of this Lease, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits. Tenant agrees to provide Landlord: (i) written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15" X 21") vellum as-built drawings, and (iii) a certificate of occupancy for the work upon completion of the Alterations. All Alterations shall be constructed in compliance with all applicable building codes and laws including, without limitation, the Americans with Disabilities Act of 1990 as amended from time to time. Upon the Expiration Date, all Alterations, except movable furniture and trade fixtures, shall become a part of the realty and belong to Landlord but shall nevertheless be subject to removal by Tenant as provided in Section 6 above. Alterations which are not deemed as trade fixtures include heating, lighting, electrical systems, air conditioning, walls, carpeting, or any other installation which has become an integral part of the Premises. All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and expense. Notwithstanding the foregoing, Tenant shall be entitled, without obtaining Landlord's consent, to make Alterations which do not affect the structure of the Building and which do not cost more than One Hundred Thousand Dollars ($100,000.00) per Alteration ("Permitted Alteration"); provided, however, that Tenant shall still be required to comply with all other provisions of this paragraph, and such Permitted Alterations are subject to removal by Tenant at Landlord's election pursuant to Section 6.C above at the expiration or earlier termination of the Lease. Tenant shall not be required to seek Landlord's consent with respect to any replacements, modifications, retrofits, or upgrades of Tenant's equipment, fixtures, and components, provided that any work or installation with respect to the foregoing shall otherwise be carried out in compliance with this Lease.

B. Free From Liens: Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for Tenant. In the event Tenant fails to discharge any such lien within ten (10) days after receiving notice of the filing, Landlord shall be entitled to discharge the lien at Tenant's expense and all resulting costs incurred by Landlord, including attorney's fees shall be due from Tenant as additional rent.

C. Compliance With Governmental Regulations: The term Laws or Governmental Regulations shall include all federal, state, county, city or governmental agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Tenant, at Tenant's sole expense shall make all repairs, replacements, alterations, or improvements needed to comply with all Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant.

8. MAINTENANCE OF PREMISES:

A. Landlord's Obligations: Landlord at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, the foundation, exterior load bearing walls and roof structure of the Building.

B. Tenant's Obligations: Tenant shall clean, maintain, repair and replace when necessary the Premises and every part thereof through regular inspections and servicing, including but not limited to: (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including caulking, and skylights, (v) all electrical facilities and equipment, (vi) all automatic fire extinguisher equipment, (vii) the parking lot and all underground utility facilities servicing the Premises, (viii) the roof membrane system, and (ix) all waterscape, landscaping and shrubbery. All wall surfaces and floor tile are to be maintained in an as good a condition as when Tenant took possession free of holes, gouges, or defacements. With respect to items (ii) and (viii) above, Tenant shall provide Landlord a copy of a service contract between Tenant and a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord. If as a part of Tenant's fulfillment of its maintenance obligations during the last five (5) years of the Lease Term, a roof replacement to the Premises is paid for by Tenant, Landlord shall reimburse Tenant for the cost of the replacement less the sum of (i) Fifty Thousand Dollars ($50,000.00) plus (ii) that portion of the cost over $50,000.00 equal to the product of such cost multiplied by a fraction, the numerator of which is the number of years remaining in the Lease Term, the denominator of which is the useful life (in years) of the roof replacement.

C. Waiver of Liability: Failure by Landlord to perform any defined services, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, nor be construed as an eviction of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein break down or for any cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same promptly, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the cost of such repairs from the rent. Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

9. HAZARD INSURANCE:

A. Tenant's Use: Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article prohibited by the standard form of fire insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the maintenance of reasonable fire and public liability insurance covering the Premises and appurtenances.

B. Landlord's Insurance: Landlord agrees to purchase and keep in force fire, extended coverage insurance in an amount equal to the replacement cost of the Building (not including any Tenant Improvements or Alterations paid for by Tenant from sources other than the Work Allowance) as determined by Landlord's insurance company's appraisers. If commercially available and carried by other owners of commercial properties in the area, such fire and property damage insurance may be endorsed to cover loss caused by such additional perils against which Landlord may elect to insure, including earthquake and/or flood (if available at commercially reasonable rates), and shall contain reasonable deductibles which, in the case of earthquake and flood insurance may be up to fifteen percent (15%) of the replacement value of the property. Additionally Landlord may maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, and (ii) rental lost insurance covering a twelve (12) month period. Tenant agrees to pay Landlord as additional rent, on demand, the full cost of said insurance as evidenced by insurance billings to Landlord, and in the event of damage covered by said insurance, the amount of any deductible under such policy. Payment shall be due to Landlord within ten (10) days after written invoice to Tenant. It is understood and agreed that Tenant's obligation under this Section will be prorated to reflect the Lease Commencement and Expiration Dates.

C. Tenant's Insurance: Tenant agrees, at its sole cost, to insure its personal property, Tenant Improvements (for which it has paid from sources other than the Work Allowance), and Alterations for their full replacement value (without depreciation) and to obtain worker's compensation and public liability and property damage insurance for occurrences within the Premises with a combined single limit of not less than Five Million Dollars ($5,000,000.00). Tenant's liability insurance shall be primary insurance containing a cross-liability endorsement, and shall provide coverage on an "occurrence" rather than on a "claims made" basis. Tenant shall name Landlord and Landlord's lender as an additional insured and shall deliver a copy of the policies and renewal certificates to Landlord. All such policies shall provide for thirty (30) days' prior written notice to Landlord of any cancellation, termination, or reduction in coverage.

D. Waiver: Landlord and Tenant hereby waive all rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, or to the Premises or its contents, which may arise from any risk covered by their respective insurance policies (or which would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above. The Parties shall use their reasonable efforts to obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be.

10. TAXES: Tenant shall be liable for and shall pay as additional rental, prior to delinquency, the following: (i) all taxes and assessments levied against Tenant's personal property and trade or business fixtures; (ii) all real estate taxes and assessment installments or other impositions or charges which may be levied on the Premises or upon the occupancy of the Premises, including any substitute or additional charges which may be imposed applicable to the Lease Term; and (iii) real estate tax increases due to an increase in assessed value resulting from a sale, transfer or other change of ownership of the Premises as it appears on the City and County tax bills during the Lease Term. Tenant's obligation under this Section shall be prorated to reflect the Lease Commencement and Expiration Dates. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or Buildings, Tenant shall pay and discharge its pro rata share of such tax or excise on rents or other tax before it becomes delinquent; except that this provision is not intended to cover net income taxes, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant cannot pay and discharge its pro rata share of such tax on behalf of Landlord, then at Landlord's sole election, Landlord may increase the Base Monthly Rent by the exact amount of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to pay Landlord a fee consistent with the fees charged by a third party appeal firm for such services.

11. UTILITIES: Tenant shall pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. Landlord shall not be liable for loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish utilities to the Premises, and in such event Tenant shall not be entitled to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease.

12. TOXIC WASTE AND ENVIRONMENTAL DAMAGE:

A. Tenant's Responsibility: Without the prior written consent of Landlord, Tenant or Tenant's agents, employees, contractors and invitees ("Tenant's Agents") shall not bring, use, or permit upon the Premises, or generate, create, release, emit, or dispose (nor permit any of the same) from the Premises any chemicals, toxic or hazardous gaseous, liquid or solid materials or waste, including without limitation, material or substance having characteristics of ignitability, corrosivity, reactivity, or toxicity or substances or materials which are listed on any of the Environmental Protection Agency's lists of hazardous wastes or which are identified in Division 22 Title 26 of the California Code of Regulations as the same may be amended from time to time or any wastes, materials or substances which are or may become regulated by or under the authority of any applicable local, state or federal laws, judgments, ordinances, orders, rules, regulations, codes or other governmental restrictions, guidelines or requirements ("Hazardous Materials") except for those substances customary in typical office and data center uses for which no consent shall be required. In order to obtain consent, Tenant shall deliver to Landlord its written proposal describing the toxic material to be brought onto the Premises, measures to be taken for storage and disposal thereof, safety measures to be employed to prevent pollution of the air, ground, surface and ground water. Landlord's approval may be withheld in its reasonable judgment_. In the event Landlord consents to Tenant's use of Hazardous Materials on the Premises or such consent is not required, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal laws, ordinances or regulations and will provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits required for the use and handling of Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises free from any Hazardous Materials arising from Tenant's bringing, using, permitting, generating, creating, releasing, emitting or disposing of Hazardous Materials; and (v) properly close the facility with regard to Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with Hazardous Materials and obtain a closure certificate from the local administering agency within 30 days following the Expiration Date.

Provided Tenant complies with the provisions of this Section 12 and any other applicable Sections of the Lease, Landlord hereby consents to Tenant's use of diesel and the presence of diesel tanks on the Premises, provided such diesel tanks are either above-grade or in existing appropriate vaults on the Premises.

B. Tenant's Indemnity Regarding Hazardous Materials: Tenant shall, at its sole cost and expense, comply with all laws pertaining to, and shall with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and Landlord's trustees, shareholders, directors, officers, employees, partners, affiliates, and agents from, any claims, liabilities, costs or expenses incurred or suffered arising from the bringing, using, permitting, generating, emitting or disposing of Hazardous Materials by Tenant, Tenant's Agents, or a third party whose presence upon the Premises are related to Tenant's use and occupancy thereof, through the surface soils of the Premises during the Lease Term or the violation of any Governmental Regulation or environmental law, by Tenant or Tenant's Agents. Tenant's indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1980 ("RCRA") or any other Federal, State, County or Municipal law, ordinance or regulation now or hereafter in effect; (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) all costs of defending such claims; (iv) losses attributable to diminution in the value of the Premises or the Building; (v) loss or restriction of use of rentable space in the Building; (vi) Adverse effect on the marketing of any space in the Building; and (vi) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation. This Section 12.B shall survive the expiration or termination of this Lease.

C. Actual Release by Tenant: Tenant agrees to notify Landlord of any lawsuits or orders which relate to the remedying of or actual release of Hazardous Materials on or into the soils or ground water at or under the Premises. Tenant shall also provide Landlord all notices required by Section 25359.7(b) of the Health and Safety Code and all other notices required by law to be given to Landlord in connection with Hazardous Materials. Without limiting the foregoing, Tenant shall also deliver to Landlord, within twenty (20) days after receipt thereof, any written notices from any governmental agency alleging a material violation of, or material failure to comply with, any federal, state or local laws, regulations, ordinances or orders, the violation of which or failure to comply with poses a foreseeable and material risk of contamination of the ground water or injury to humans (other than injury solely to Tenant or Tenant's Agents. In the event of any release on or into the Premises or into the soil or ground water under the Premises, the Building or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant or Tenant's Agents, Tenant agrees to comply, at its sole cost, with all laws, regulations, ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and its Lender to attempt to eliminate and mitigate any financial exposure to such Lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Property has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with acceptable customary practices for the type and severity of such contamination and all applicable laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under 12.B of this Lease to indemnify, defend and hold

Landlord harmless from any claims liabilities, costs or expenses incurred or suffered by Landlord. Tenant shall provide Landlord prompt written notice of Tenant's monitoring, cleanup and remedial steps.

In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable law, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 12.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by mediation and/or arbitration pursuant to this Lease.

D. Environmental Monitoring: Landlord and its agents shall have the right to inspect, investigate, sample and monitor the Premises including any air, soil, water, ground water or other sampling or any other testing, digging, drilling or analysis to determine whether Tenant is complying with the terms of this Section 12. If Landlord discovers that Tenant is not in compliance with the terms of this Section 12, any such costs incurred by Landlord, including attorneys' and consultants' fees, shall be due and payable by Tenant to Landlord within five (5) days following Landlord's written demand therefore.

13. TENANT'S DEFAULT: The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant: (i) Tenant's failure to pay the Base Monthly Rent including additional rent or any other payment due under this Lease by the date such amount is due, where such failure continues for five (5) business days after Landlord's delivery of written notice, (ii) the abandonment of the Premises by Tenant for a consecutive period of ninety (90) days or longer; (iii) Tenant's failure to observe and perform any other required provision of this Lease, where such failure continues for thirty (30) days after written notice from Landlord; provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Tenant shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion; (iv) Tenant's making of any general assignment for the benefit of creditors; (v) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed after the filing); (vi) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (vii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

A. Remedies: In the event of any such default by Tenant, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by.-Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The computation of the damages pursuant to the foregoing shall include a credit for that portion of any rent to which Landlord is entitled pursuant to a subsequent lease which, for the remaining balance of the Lease Term under this Lease, is higher than the Base Monthly Rent which would be due hereunder during such period. The term "rent", as used herein, is defined as the minimum monthly installments of Base Monthly Rent and all other sums required to be paid by Tenant pursuant to this Lease, all such other sums being deemed as additional rent due hereunder. As used in (i) and (ii) above, "worth at the time of award" shall be computed by allowing interest at a rate equal to the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum. As used in (iii) above, "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent.

B. Right to Re-enter: In the event of any such default by Tenant, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord in any manner permitted by law.

C. Abandonment: If Landlord does not elect to terminate this Lease as provided in Section 13.A or 13.B above, then the provisions of California Civil Code Section 1951.4, (Landlord may continue the lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply and Landlord may from time to time, without terminating this Lease, either recover all rental as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. In the event that Landlord elects to so relet, rentals received by Landlord from such reletting shall be applied in the following order to: (i) the payment of any indebtedness other than Base Monthly Rent due hereunder from Tenant to Landlord; (ii) the payment of any cost of such reletting; (iii) the payment of the cost of any alterations and repairs to the Premises; and (iv) the payment of Base Monthly Rent due and unpaid hereunder. The residual rentals, if any, shall be held by Landlord and applied in payment of future Base Monthly Rent as the same may become due and payable hereunder. Landlord shall the obligation to market the space but shall have no obligation to relet the Premises following a default if Landlord has other comparable available space within the Building or Project. In the event the portion of rentals received from such reletting which is applied to the payment of rent hereunder during any month be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

D. No Termination: Landlord's re-entry or taking possession of the Premises pursuant to 13.B or 13.C shall not be construed as an election to terminate this Lease unless written notice of such intention is given to Tenant or unless the termination is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

E. Non-Waiver: Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of default. No payment by Tenant or receipt by Landlord of a lesser amount than any installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Tenant any further notice or demand. Furthermore, the Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenant's Tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver thereof by Landlord. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute acceptance of the surrender of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

F. Performance by Landlord: If Tenant fails to perform any obligation required under this Lease or by law or governmental regulation, Landlord in its sole discretion may, without notice, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums reasonably paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate (as defined in Section 19.J) within ten (10) days of Landlord's written notice for such payment.

G. Habitual Default: The provisions of Section 13 notwithstanding, the Parties agree that if Tenant shall have materially defaulted in the performance of any (but not necessarily the same) term or condition of this Lease for five (5) or more times during any twelve (12) month period during the Lease Term, then such conduct shall, at the election of the Landlord, represent a separate event of default which cannot be cured by Tenant. Tenant acknowledges that the purpose of this provision is to prevent repetitive material defaults by Tenant, which work a hardship upon Landlord and deprive Landlord of Tenant's timely performance under this Lease.

14. LANDLORD'S LIABILITY:

A. Limitation on Landlord's Liability: In the event of Landlord's failure to perform any of its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that: (i) if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion; and (ii) in the event of emergency, Landlord shall use its best efforts to cure or commence to cure such failure as soon as reasonably possible. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("Mortgagee") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure. Tenant agrees that each of the Mortgagees to whom this Lease has been assigned is an expressed third-party beneficiary hereof. Tenant waives any right under California Civil Code Section 1950.7 or any other present or future law to the collection of any payment or deposit from Mortgagee or any purchaser at a foreclosure sale of Mortgagee's interest unless Mortgagee or such purchaser shall have actually received and not refunded the applicable payment or deposit. Tenant Further waives any right to terminate this Lease and to vacate the Premises on Landlord's default under this Lease. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief.

B. Limitation on Tenant's Recourse: If Landlord is a corporation, trust, partnership, joint venture, unincorporated association or other form of business entity, then (i) the obligations of Landlord shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, owners, stockholders, or other principals or representatives except to the extent of their interest in the Premises. Tenant shall have recourse only to the interest of Landlord in the Premises or for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations. Notwithstanding the foregoing, the provisions of this Section 14.B shall not apply to a default by Landlord in the return of the Security Deposit.

C. Indemnification of Landlord: As a material part of the consideration rendered to Landlord, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises, from any cause arising at any time to the fullest extent permitted by law, and Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord, and their shareholders, directors, officers, trustees, employees, partners, affiliates- and agents from any claims, liabilities, costs or expenses incurred or suffered arising from the use of occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease, or any damage or injury to person or property from any cause, except to the extent caused by the willful misconduct or active negligence of Landlord or from the failure of Tenant to keep the Premises in good condition and repair as herein provided, except to the extent due to the gross negligence or willful misconduct of Landlord. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant and Tenant's Agents, Tenant will indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from any such claim or liability including Landlord's costs and expenses and reasonable attorney's fees incurred in defending such claims.

15. DESTRUCTION OF PREMISES:

A. Landlord's Obligation to Restore: In the event of a destruction of the Premises during the Lease Term Landlord shall repair the same to a similar condition to that which existed prior to such destruction. Such destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base Monthly Rent from the date of destruction until the repairs are sufficiently complete to allow Tenant to conduct its business without material interference, such proportionate reduction to be based upon the extent to which the repairs interfere with Tenant's business in the Premises, as reasonably determined by Landlord. In no event shall Landlord be required to replace or restore Alterations, Tenant Improvements paid for by Tenant from sources other than the Work Allowance or Tenant's fixtures or personal property. With respect to a destruction which Landlord is obligated to repair or may elect to repair under the terms of this Section, Tenant waives the provisions of Section 1932, and Section 1933, Subdivision 4, of the Civil Code of the State of California, and any other similarly enacted statute, and the provisions of this Section 15 shall govern in the case of such destruction.

B. Limitations on Landlord's Restoration Obligation: Notwithstanding the provisions of Section 15.A, Landlord shall have no obligation to repair, or restore the Premises if any of the following occur: (i) if the repairs cannot be made in one hundred eighty (180) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities to effect such repairs, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Building elects not to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is not fully covered by the insurance maintained by Landlord and any amounts Tenant elects, in its sole discretion, to pay towards the cost of repair or restoration, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease Term, (v) Tenant is in default pursuant to the provisions of Section 13, or (vi) Tenant has vacated the Premises for more than one hundred twenty (120) days. In any such event Landlord may elect either to (i) complete the repair or restoration, or (ii) terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction. If the repairs cannot be made within one hundred eighty (180) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities to effect such repairs, Tenant may elect to terminate this Lease by providing Landlord written notice of its election within sixty (60) days following the date of the damage or destruction.

16. CONDEMNATION: If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser ("Vesting Date") and Base Monthly Rent payable hereunder shall be adjusted so that Tenant is required to pay for the remainder of the Lease Term only such portion of Base Monthly Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking. Further, in the event of such partial taking, Landlord shall have the option to terminate this Lease as of the Vesting Date. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord; and Tenant shall have no claim thereto; except Landlord shall cooperate with Tenant, without cost to Landlord, to recover compensation for damage to or taking of any Alterations, Tenant Improvements paid for by Tenant from sources other than the Work Allowance, or for Tenant's moving costs. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any other similarly enacted statue, and the provisions of this Section 16 shall govern in the case of a taking.

17. ASSIGNMENT OR SUBLEASE:

A. Consent by Landlord: Except as specifically provided in this Section 17.E, Tenant may not assign, sublet, hypothecate, or allow a third party to use the Premises without the express written consent of Landlord. In the event Tenant desires to assign this Lease or any interest herein or sublet the Premises or any part thereof, Tenant shall deliver to Landlord (i) executed counterparts of any agreement and of all ancillary agreements with the proposed assignee/subtenant, (ii) current financial statements of the transferee covering the preceding three years, (iii) the nature of the proposed transferee's business to be carried on in the Premises, (iv) a statement outlining all consideration to be given on account of the Transfer, and (v) a current financial statement of Tenant. Landlord may condition its approval of any Transfer on receipt of a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer. At Landlord's request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed assignment or sublease. Landlord shall have a fifteen (15) day period following receipt of all the foregoing within which to notify Tenant in writing that Landlord elects to: (i) terminate this Lease in the event the proposed sublease or assignment is for substantially all of space in the Premises; (ii) permit Tenant to assign or sublet such space to the named assignee/subtenant on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the 15-day period, Landlord shall be deemed to have elected option (iii) above. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises on the date upon which the proposed sublease or transfer was to commence, and from such date forward, Base Monthly Rent and Tenant's Allocable Share of all other costs and charges shall be adjusted based upon the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Building. In the event Landlord elects option (ii) above, Landlord's written consent to the proposed assignment or sublease shall not be unreasonably withheld, provided and upon the condition that: (i) the proposed assignee or subtenant is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed assignee or subtenant is a company with sufficient financial worth and management ability to undertake the financial obligation of this Lease and Landlord has been furnished with reasonable proof thereof; (iii) the proposed assignment or sublease is in form reasonably satisfactory to Landlord; and (iv) Tenant reimburses Landlord on demand for any reasonable costs that may be incurred by Landlord in connection with said assignment or sublease, including the costs of making investigations as to the acceptability of the proposed assignee or subtenant and legal costs incurred in connection with the granting of any requested consent. Additionally, Tenant acknowledges that Landlord may condition its consent to any assignment or sublease upon the continued guaranty of the Lease by Guarantor as defined in Lease Section 20 below. In the event all or any one of the foregoing conditions are not satisfied, Landlord shall be considered to have acted reasonably if it withholds its consent.

B. Assignment or Subletting Consideration: Any rent or other economic consideration realized by Tenant under any sublease and assignment, in excess of the Base Monthly Rent payable hereunder and reasonable subletting and assignment costs (i.e., Alterations directly associated with such sublease, legal fees and real estate commissions), shall be divided and paid fifty percent (50%) to Landlord and fifty percent (50%) to Tenant. Tenant's obligation to pay over Landlord's portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord's right to terminate the Lease and relating to the allocation of excess rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the Parties to be commercially reasonable. No assignment or subletting by Tenant shall relieve it of any obligation under this Lease. Any assignment or subletting which conflicts with the provisions hereof shall be void.

C. No Release: Any assignment shall be made only if and shall not be effective until the assignee shall execute, acknowledge, and deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the assignee shall assume all the obligations of this Lease on the part of Tenant to be performed or observed and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease. Notwithstanding any such assignment and the acceptance of rent by Landlord from any assignee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any licensee, assignee or any other person claiming under or through any subtenant or assignee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend and hold Landlord harmless from and against all losses, liabilities, damages, costs and expenses (including reasonable attorney fees) resulting from any claims that may be made against Landlord by the proposed assignee or subtenant or by any real estate brokers or other persons claiming compensation in connection with the proposed assignment or sublease.

D. Reorganization of Tenant: The provisions of this Section 17.D shall apply if Tenant is a corporation and: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where Tenant is not the surviving corporation, or (ii) there is a sale or transfer to one person or entity (or to any group of related persons or entities) of stock possessing more than 50% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, and after such sale or transfer of stock Tenant's stock is no longer publicly traded. In a transaction under clause (i) the surviving corporation shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such surviving corporation assumes the obligations of Tenant hereunder, and in a transaction under clause (ii) the transferee or buyer shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such transferee or buyer assumes the obligations of Tenant under the Lease.

E. Permitted Transfers: Notwithstanding anything contained in this Section 17, so long as Tenant otherwise complies with the provisions of this Article, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior consent, and Landlord shall not be entitled to terminate the Lease or to receive any part of any subrent resulting therefrom that would otherwise be due pursuant to Sections 17.A and 17.B. Tenant may sublease all or part of the Premises or assign its interest in this Lease to (i) any corporation which controls, is controlled by, or is under common control with the original Tenant to this Lease by means of an ownership interest of more than 50%; (ii) a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation, so long as the surviving corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction; and (iii) a corporation which purchases or otherwise acquires all or substantially all of the assets of Tenant so long as such acquiring corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction.

"Permitted Transfers" shall also include any Business Agreements (defined below) entered into by Tenant with respect to the Premises, provided that Tenant remains in possession and control of the Premises, and provided further that any Business Affiliates (as defined below) comply in all respects with this Lease, including, without limitation, the provisions hereof related to permitted uses and legal compliance. The term "Business Agreement(s)" shall mean any license, sublease, co-location agreement (defined below), or other arrangement which permits the use or occupancy of portions of the Premises by any of Tenant's subsidiaries, divisions, customers, "peering" partners, and/or contractors and subcontractors (collectively, "Business Affiliates") and/or their equipment and personnel. The term "Co-location agreement(s)" shall mean any agreement entered into by Tenant with another party whereby Tenant is providing (whether by cable, fiber or other form of physical transmission, wireless transmission, or any other mode of transmission) co-location, access, or any other form of connection to (a) the Internet, (b) any Internet successor or affiliated networking system, and/or (c) any other existing or future telecommunications, networking, or communication systems.

F. Effect of Default: In the event of Tenant's default, Tenant hereby assigns all rents due from any assignment or subletting to Landlord as security for performance of its obligations under this Lease, and Landlord may collect such rents as Tenant's Attorney-in-Fact, except that Tenant may collect such rents unless a default occurs as described in Section 13 above. A termination of the Lease due to Tenant's default shall not automatically terminate an assignment or sublease then in existence; rather at Landlord's election, such assignment or sublease shall survive the Lease termination, the assignee or subtenant shall attorn to Landlord, and Landlord shall undertake the obligations of Tenant under the sublease or assignment; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the subtenant or assignee, or for any acts or omissions of Tenant and Tenant's Agents.

G. Conveyance by Landlord: As used in this Lease, the term "Landlord" is defined only as the owner for the time being of the Premises, so that in the event of any sale or other conveyance of the Premises or in the event of a master lease of the Premises, Landlord shall be entirely freed and relieved of all its covenants and obligations hereunder, and it shall be deemed and construed, without further agreement between the Parties and the purchaser at any such sale or the master tenant of the Premises, that the purchaser or master tenant of the Premises has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder. Such transferor shall transfer and deliver Tenant's security deposit to the purchaser at any such sale or the master tenant of the Premises, and thereupon the transferor shall be discharged from any further liability in reference thereto.

H. Successors and Assigns: Subject to the provisions of this Section 17, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all Parties hereto; and all Parties hereto comprising Tenant shall be jointly and severally liable hereunder.

18. OPTION TO EXTEND THE LEASE TERM:

A. Grant and Exercise of Option: Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 18.A, two (2) options (the "Options") to extend the Lease Term for an additional term (the "Option Term"). Each Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no earlier than eighteen (18) months prior to the date the Lease Term would expire but for such exercise but no later than twelve (12) months prior to the date the Lease Term would expire but for such exercise, time being of the essence for the giving of such notice. If Tenant exercises the Option, all of the terms, covenants and conditions of this Lease except for the grant of additional Options pursuant to this Section, provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the greater of (i) the Base Monthly Rent applicable to the period immediately prior to the commencement of the Option

Term, and (ii) ninety five percent (95%) of the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, if Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease either at the time Tenant exercises the Option or at any time thereafter prior to the commencement date of the Option Term, Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the Lease Term shall not be extended pursuant to this Section 18.A. As used herein, the term "Fair Market Rental" is defined as the rental and all other monetary payments, including any escalations and adjustments thereto (including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises, based upon the current use and other potential uses of the Premises, as determined by the rents then being obtained for new leases of space comparable in age and quality to the Premises in the same real estate submarket as the Building. Fair Market Rental shall further take into account that Tenant is in occupancy and making functional use of the Premises in its then existing condition and no additional work allowance or tenant improvements shall be required of Landlord; however, Fair Market Rental shall not take into account Alterations or Tenant Improvements installed by Tenant which it has the right to remove pursuant to Section 7 above. The appraisers shall be instructed that the foregoing five percent (5%) discount is intended to reduce comparable rents which include (i) brokerage commissions, (ii) tenant improvement allowances, and (iii) vacancy costs, to account for the fact that Landlord will not suffer such costs in the event Tenant exercises its Option.

B. Determination of Fair Market Rental: If Tenant exercises the Option, Landlord shall send Tenant a notice setting forth the Fair Market Rental for the Option Term within thirty (30) days following the Exercise Date. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after the date of Landlord's notice setting forth Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 18.C below. If Tenant does not send Landlord a notice as provided in the previous sentence, Landlord's determination of Fair Market Rental shall be the Base Monthly Rent payable by Tenant during the Option Term. If Tenant elects to resolve the disagreement as provided in Section 18.C and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent the Fair Market Rental as determined by Landlord in the manner provided above. If the Fair Market Rental as finally determined pursuant to Section 18.C is greater than Landlord's determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and the Fair Market Rental as so determined in Section 18.C within thirty (30) days after such determination. If the Fair Market Rental as finally determined in Section 18.C is less than Landlord's determination, the difference between the amount paid by Tenant and the Fair Market Rental as so determined in Section 18.C shall be credited against the next installments of Base Monthly Rent due from Tenant to Landlord hereunder.

C. Resolution of a Disagreement over the Fair Market Rental: Any disagreement regarding Fair Market Rental shall be resolved as follows:

Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at a mutually agreeable time and place, in an attempt to resolve the disagreement.

If within the 30-day period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above.

If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two appraisals so submitted differ by less than ten percent (10%), the average of the two shall be deemed as Fair Market Rental. If the two appraisals differ by more than 10%, the appraisers shall immediately select a third appraiser who shall, within thirty (30) days after his selection, make and submit to Landlord and Tenant a determination of Fair Market Rental. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be Fair Market Rental.

All appraisers specified pursuant to this Section shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years' experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant: All Options provided to Tenant in this Lease are personal and granted to AboveNet Communications, Inc. (or a permitted transferee as described in Section 17.E) and are not exercisable by any third party should Tenant assign or sublet all or a portion of its rights under this Lease, unless Landlord consents to permit exercise of any option by any assignee or subtenant, in Landlord's sole and absolute discretion.

19. GENERAL PROVISIONS:

A. Attorney's Fees: In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of any sum due hereunder, to interpret the Lease, or because of the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees including the expense of expert witnesses, depositions and court testimony as part of its costs which shall be deemed to have accrued on the commencement of such action. The prevailing party shall also be entitled to recover all costs and expenses including reasonable attorney's fees incurred in enforcing any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties: Tenant represents and warrants that it is duly formed and in good standing, and is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord, authorizing the execution of the Lease.

C. Brokers: Tenant represents it has not utilized or contacted a real estate broker or finder with respect to this Lease other than Cornish & Carey Commercial and Tenant agrees to indemnify, defend and hold Landlord harmless against any claim, cost, liability or cause of action asserted by any other broker or finder claiming through Tenant.

D. Choice of Law: This Lease shall be governed by and construed in accordance with California law. Except as provided in Section 19.E, venue shall be Santa Clara County.

E. Dispute Resolution: Landlord and Tenant and any other party that may become a party to this Lease or be deemed a party to this Lease including any subtenants agree that, except for any claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court (which small claims court shall be the sole court of competent jurisdiction), any controversy, dispute, or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Lease, including any claim based on contract, tort, or statute, shall be resolved at the request of any party to this agreement through a two-step dispute resolution process administered by J.A.M.S. or another judicial mediation service mutually acceptable to the parties located in Santa Clara County, California. The dispute resolution process shall involve first, mediation, followed, if necessary, by final and binding arbitration administered by and in accordance with the then existing rules and practices of J.A.M.S. or other judicial mediation service selected. In the event of any dispute subject to this provision, either party may initiate a request for mediation and the parties shall use reasonable efforts to promptly select a J.A.M.S. mediator and commence the mediation. In the event the parties are not able to agree on a mediator within thirty (30) days, J.A.M.S. or another judicial mediation service mutually acceptable to the parties shall appoint a mediator. The mediation shall be confidential and in accordance with California Evidence Code § 1119 et seq. The mediation shall be held in Santa Clara County, California and in accordance with the existing rules and practice of J.A.M.S. (or other judicial and mediation service selected). The parties shall use reasonable efforts to conclude the mediation within sixty (60) days of the date of either party's request for mediation. The mediation shall be held prior to any arbitration or court action (other than a claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court which are not subject to this mediation/arbitration provision and may be filed directly with a court of competent jurisdiction). Should the prevailing party in any dispute subject to this Section 19.E attempt an arbitration or a court action before attempting to mediate, the prevailing party shall not be entitled to attorney's fees that might otherwise be available to them in a court action or arbitration and in addition thereto, the party who is determined by the arbitrator to have resisted mediation, shall be sanctioned by the arbitrator or judge.

IF A MEDIATION IS CONDUCTED BUT IS UNSUCCESSFUL, IT SHALL BE FOLLOWED BY FINAL AND BINDING ARBITRATION ADMINISTERED BY AND IN ACCORDANCE WITH THE THEN EXISTING RULES AND PRACTICES OF J.A.M.S. OR THE

OTHER JUDICIAL AND MEDIATION SERVICE SELECTED, AND JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET SEQ., AS SAID STATUTES THEN APPEAR, INCLUDING ANY AMENDMENTS TO SAID STATUTES OR SUCCESSORS TO SAID STATUTES OR AMENDED STATUTES, EXCEPT THAT IN NO EVENT SHALL THE PARTIES BE ENTITLED TO PROPOUND INTERROGATORIES OR REQUEST FOR ADMISSIONS DURING THE ARBITRATION PROCESS. THE ARBITRATOR SHALL BE A RETIRED JUDGE OR A LICENSED CALIFORNIA ATTORNEY. THE VENUE FOR ANY SUCH ARBITRATION OR MEDIATION SHALL BE IN SANTA CLARA COUNTY, CALIFORNIA.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LANDLORD: /s/ JMS TENANT: /s/ JM, EW

F. Entire Agreement: This Lease and the exhibits attached hereto contains all of the agreements and conditions made between the Parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord: Upon prior notice to Tenant and subject to Tenant's reasonable security regulations, Tenant shall permit Landlord and his agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes: (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; (iv) performing any obligations of Landlord under the Lease including remediation of Hazardous Materials if determined to be the responsibility of Landlord, (v) posting and keeping posted thereon notices of non responsibility for any construction, alteration or repair thereof, as required or permitted by any law, and (vi) showing the Premises to Landlord's or the Master Landlord's existing or potential successors, purchaser, tenants and lenders. Tenant shall permit Landlord and his agents, at any time within one hundred eighty (180) days prior to the Expiration Date (or at any time during the Lease if Tenant is in default hereunder), to place upon the Premises "For Lease" signs and exhibit the Premises to real estate brokers and prospective tenants at reasonable hours.

H. Estoppel Certificates: At any time during the Lease Term, Tenant shall, within ten (10) days following written notice from Landlord, execute and deliver to Landlord a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on Landlord's part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Landlord may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Landlord's interest in the Premises. Tenant's failure to deliver such statement within such time shall be conclusive upon the Tenant that this Lease is in full force and effect without modification, except as may be represented by Landlord, and that there are no uncured defaults in Landlord's performance. Tenant agrees to provide, within five (5) days of Landlord's request, Tenant's most recent three (3) years of audited financial statements for Landlord's use in financing or sale of the Premises or Landlord's interest therein.

I. Exhibits: All exhibits referred to are attached to this Lease and incorporated by reference.

J. Interest: All rent due hereunder, if not paid when due, shall bear interest at the rate of the Reference Rate published by Bank of America, San Francisco Branch, plus two percent (2%) per annum from that date until paid in full ("Agreed Interest Rate"). This provision shall survive the expiration or sooner termination of the Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment (including late charges) shall be considered to the extent permitted by law to be an expense or a fee, premium, or penalty rather than interest.

K. This paragraph intentionally left blank.

L. No Presumption Against Drafter: Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

M. Notices: All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, or by personal delivery addressed to the party to be notified at the address for such party specified in Section 1 of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party. When this Lease requires service of a notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure Section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of that notice (or a similar notice required by this Lease) shall replace and satisfy the statutory service-of-notice procedures, including those required by Code of Civil Procedure Section 1162 or any similar or successor statute.

N. Property Management: In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of one percent (1%) of the Base Monthly Rent.

O. Rent: All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as “additional rent”, shall be deemed as rent.

P. Representations: Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth herein, Tenant relied on no statement of Landlord or its employees or agents for that purpose.

Q. Rights and Remedies: Subject to Section 14 above, All rights and remedies hereunder are cumulative and not alternative to the extent permitted by law, and are in addition to all other rights and remedies in law and in equity.

R. Severability: If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. Submission of Lease: Submission of this document for examination or signature by the parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

T. Subordination: This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively “Encumbrances”) which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance (“Holder”) require that this Lease be prior and superior thereto, within seven (7) days after written request of Landlord to Tenant, Tenant shall execute, have acknowledged and deliver all documents or instruments, in the form presented to Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all Encumbrances which are now or may hereafter be executed covering the Premises or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that as a condition to such subordination, in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees in writing to recognize Tenant’s rights under this Lease as long as Tenant is not then in default and continues to pay Base Monthly Rent and additional rent and observes and performs all required provisions of this Lease. Within ten (10) days after Landlord’s written request, Tenant shall execute any documents required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such encumbrance.

Landlord shall cause the existing lender, Union Labor Life Insurance Company, to furnish to Tenant, within forty-five (45) days of the date of both parties’ execution of this Lease, with a written agreement providing for (i) recognition by the lender of all of the terms and conditions of this Lease; and (ii) continuation of this Lease upon foreclosure of existing lender’s security interest in the Premises. In the event that Landlord is unable to provide such agreement, Tenant’s sole remedy shall be termination of the Lease, which election shall be made within fourteen (14) days following the expiration of such forty-five (45) day period.

U. Survival of Indemnities: All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. Time: Time is of the essence hereunder.

W. Transportation Demand Management Programs: Should a government agency or municipality require Landlord to institute TDM (Transportation Demand Management) facilities and/or programs, Tenant agrees that the cost of TDM imposed facilities and programs required on the Premises, including but not limited to employee showers, lockers, cafeteria, or lunchroom facilities, shall be paid by Tenant. Further, any ongoing costs or expenses associated with a TDM program which are required for the Premises and not provided by Tenant, such as an on-site TDM coordinator, shall be provided by Landlord with such costs being included as additional rent and reimbursed to Landlord by Tenant within thirty (30) days after demand. If

TDM facilities and programs are instituted on a Project wide basis, Tenant shall pay its proportionate share of such costs in accordance with Section 8 above.

X. Waiver of Right to Jury Trial: Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

20. LEASE GUARANTY: A material provision of the Lease and a material inducement of Landlord to enter into this Lease is the guaranty of this Lease by Metromedia Fiber Network, Inc. a Delaware Corporation, ("Guarantor") which is attached hereto as Exhibit "E" and made a part hereof.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year first above written.

Landlord: The 1979 Revocable Trust, a California Limited Partnership	**Tenant**: AboveNet Communications, a Delaware Corporation
By: /s/ John M. Sobrato	By: /s/ Jeff Monroe
Its: Trustee	Its: VP Real Estate
	* By: /s/ Ezekiel Wimert
	Its: VP Worldwide Operations

* *NOTE: This lease must be signed by two (2) officers of such corporation: one being the chairman of the board, the president, or a vice president, and the other being the secretary, an assistant secretary, the chief financial officer or an assistant treasurer. If one (1) individual is signing in two (2) of the foregoing capacities, that individual must sign twice; once as one officer and again as the other officer and in such event, Tenant must deliver to Landlord a certified copy of a corporate resolution authorizing the signatory to execute this Lease.*

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this “Amendment”) is entered into as of December 6, 2004 by and between BROKAW INTERESTS, a California limited partnership (“Landlord”) and EQUINIX OPERATING CO., INC., a Delaware corporation, as successor-in-interest to ABOVENET COMMUNICATIONS, INC., a Delaware corporation (“Tenant”). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in that certain Lease dated as of December 29, 1999 between Landlord and Tenant (the “Lease”).

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Lease shall be amended as follows:

1. Amendments to Lease. Landlord and Tenant hereby agree that the Lease shall be modified as follows:

1.1 With respect to Section 4.C, Tenant agrees, notwithstanding anything to the contrary in the Lease, that the cash security deposit of One Million Four Hundred Twenty Seven Thousand and No/100 Dollars ($1,427,000.00) shall not be returned or reduced in amount until the expiration of the Lease. Within thirty (30) days following the expiration of the Lease, Landlord agrees to return such deposit to Tenant less any amounts Landlord is entitled to deduct pursuant to this Section 4.C. Further Tenant shall have no right to post a letter of credit in lieu of a cash deposit.

1.2 The reference to “one hundred eighty (180) days” in Section 15.B. (i) shall be changed to twelve (12) months.

1.3 The reference to “twenty-four (24) months” in Section 15.B.(iv) shall be changed to eighteen (18) months.

1.4 The reference to “one hundred eighty (180) days” in the last sentence of Section 15.B. shall be changed to twelve (12) months.

1.5 The second sentence of Section 16 shall be deleted.

1.6 With respect to Section 17.E., the definition of Permitted Transfer shall be amended to include an assignment of the Tenant’s entire interest under this Lease or of all or any portion of the Premises to (i) an affiliate, subsidiary, or parent of Equinix, Inc., or a corporation, partnership or other legal entity wholly owned by Equinix, Inc. (collectively, an “Affiliated Party”), or (ii) a successor to Tenant by acquisition or merger, or by a consolidation or reorganization pursuant to which Tenant ceases to exist as a legal entity (each such party a “Successor Party”). Simultaneously with any such Permitted Transfer, Tenant’s successor shall sign a form of assumption agreement that is approved in advance by Landlord, which approval shall not be unreasonably withheld, conditioned, or delayed. As used herein and for so long as Equinix Operating Co., Inc., or its affiliate is the Tenant under the Lease, (A) “parent” shall mean a company which owns a majority of Equinix, Inc.'s voting equity; (B) "subsidiary" shall mean an entity wholly owned by Equinix, Inc. or a controlling interest in whose voting equity is owned by Equinix, Inc.; and (C) "affiliate" shall mean an entity controlled by, controlling or under common control with Equinix, Inc.

1.7 Section 18.D. of the Lease shall be deleted with the effect that the option to extend the Lease under Article 18 shall be available to Tenant and its permitted transferees.

1.8 Any exercise by Landlord of its rights to enter the Premises pursuant to any provision of the Master Lease, including, without limitation, Section 19.G., shall be done in a way that does not materially interfere with Tenant's quiet enjoyment of the Premises.

1.9 Section 19.G.(iii) shall be deleted.

1.10 The following language shall be inserted at the end of Section 19.G.(vi): ";provided, however, that with respect to prospective tenants, such right may only be exercised in the last nine (9) months of the Lease."

1.11 Notwithstanding anything to the contrary contained in the Lease, Tenant shall have the right, without the prior written consent of Landlord being obtained, to subject Tenant's leasehold estate pursuant to this Lease, and its personal property, equipment, components and trade fixtures, to a leasehold mortgage and/or security agreement to secure financing or other obligations which Tenant may obtain or incur. In connection with any such leasehold mortgage and/or security agreement or otherwise, Landlord will, within thirty (30) days following receipt of written request therefor, provide to Tenant and Tenant's lender(s) an estoppel certificate certifying if true, the following: (i) that the Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid under the Lease, including the date, if any, to which rent and other charges have been paid in advance; (iii) acknowledging that there are not, to the Landlord's knowledge, any uncured defaults on the party of the Tenant under the Lease (or if there are any defaults, identifying the defaults); and (iv) such other information as Tenant or Tenant's lenders may reasonably request. In addition, Landlord agrees to provide any lender of Tenant who Landlord has been notified in writing of the requirement with written notice of any defaults by Tenant under the Lease and the same opportunity to cure such defaults as therein provided to Tenant before Landlord exercises its remedies under this Lease, and to provide Tenant's lender(s) with a reasonable opportunity to enter upon the Premises for the purpose of removing any property of Tenant which has been pledged as collateral to Tenant's lender(s) or which has been subjected to any such leasehold mortgage and/or security agreement. Notwithstanding anything to the contrary set forth above any such leasehold mortgage and/or security agreement shall be subject and subordinate to the Landlord's rights under the Lease and any rights of reentry or reversion of Tenant's predecessor in interest.

1.12 Within ten (10) days after Tenant's written request, Landlord and Tenant shall execute and record a Memorandum of Lease in a form reasonably acceptable to Tenant and Landlord. After the Lease terminates, within ten (10) days after Landlord's request, Tenant shall deliver to Landlord an executed quit claim in form reasonably acceptable to Landlord and Tenant to remove the Memorandum of Lease from title to the Premises.

1.13 In the event that Tenant defaults in any of its obligations under the Lease, Landlord agrees that it will simultaneous with giving notice thereof to the Tenant, as and to the extent required by the Lease, provide written notice thereof to AboveNet Communications, Inc. ("AboveNet"), at 360 Hamilton Avenue, White Plains, New York 10601, Attention: President, with a copy to the same address Attention: General Counsel, accept a cure of any such default from AboveNet and shall, to the extent provided in the Assignment and Assumption of Lease between Tenant and AboveNet, allow AboveNet the right of reentry in the Premises and allow the Lease to be reassigned to AboveNet, without the requirement of any Landlord consent, and, in the event of such reassignment, recognize AboveNet as the Tenant thereunder.

2. Terms. Capitalized terms used herein but not defined herein shall have the meanings specified in the Lease.

3. Effect of Amendment. As modified by this Amendment, the Lease shall remain in full force and effect and is hereby ratified and confirmed. All references to the Lease herein shall mean the Lease (as defined above) as modified by this Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Landlord or Tenant nor constitute a waiver of any provision of the Lease.

4. Neutral Construction. This Amendment is the product of negotiation among the parties hereto and represents the jointly conceived, bargained-for and agreed upon language mutually determined by the parties to express their intentions in executing and delivering this Amendment. Any ambiguity or uncertainty in this Amendment shall equally be deemed to be caused by, or attributable to, the parties hereto collectively. This Amendment shall be construed in a neutral manner in any action or proceeding to enforce or interpret it, and no term or condition hereof shall be construed more or less favorably to any one party.

5. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. The signature page and acknowledgment of any counterpart may be removed therefrom and attached to any other counterpart to evidence execution thereof by all of the parties hereto without affecting the validity thereof.

[signatures appear on next page]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment effective as of the date first written above.

LANDLORD

BROKAW INTERESTS
a California limited partnership

By: /s/ John M. Sobrato
Name: John M. Sobrato
Title: General Partner

TENANT

EQUINIX OPERATING CO., INC.,
a Delaware corporation

By: /s/ Renee F. Lanam
Name: Renee Lanam
Title: Chief Financial Officer

The undersigned, as predecessor-in-interest to Tenant under the Lease, hereby consents to this Amendment to Lease and hereby agrees that this Amendment shall not release the undersigned from any liability that it may have under the Lease.

ABOVENET COMMUNICATIONS., INC.,
a Delaware corporation

By: /s/ Robert Sokota
Name: Robert Sokota
Title: SVP & General Counsel

Exhibit 10.110

CONFIDENTIAL TREATMENT REQUESTED
CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES EXCHANGE COMMISSION.

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (as amended, restated, or otherwise modified from time to time, this "***Agreement***") dated the Effective Date, between **SILICON VALLEY BANK** ("***Bank***") and **EQUINIX, INC.**, a Delaware corporation, whose address is 301 Velocity Way, 5th Floor, Foster City, California 94404 ("***Borrower***"), provides the terms on which Bank will lend to Borrower, and Borrower will repay Bank.

1. ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. The term "financial statements" includes the notes and schedules. The terms "including" and "includes" always mean "including (or includes) without limitation," in this or any Loan Document. Capitalized terms in this Agreement shall have the meanings as set forth in **Section 13**. All other terms contained in this Agreement, unless otherwise indicated, shall have the meanings provided by the Code, to the extent such terms are defined therein.

2. LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay.

Borrower hereby unconditionally promises to pay Bank the unpaid principal amount of all Credit Extensions hereunder with all interest, fees, and finance charges due thereon as and when due in accordance with this Agreement.

2.1.1 Revolving Advances.

(a) Subject to the terms and conditions hereof, Bank shall make Advances to Borrower from time to time until the Revolving Maturity Date not exceeding the Committed Revolving Line *minus* the Sublimit Utilization Amount. Until the Revolving Maturity Date and subject to the terms hereof and the applicable terms and conditions precedent in **Sections 3.1** and **3.2**, Borrower may borrow, repay, and reborrow under this **Section 2.1.1**. The proceeds of the Advances shall be used solely for working capital purposes.

(b) Interest on each Advance shall be paid pursuant to the terms of **Section 2.4(c)**. The outstanding principal amount of and all accrued but unpaid interest on the Advances shall be due and payable on the Revolving Maturity Date, except as otherwise set forth in **Section 2.5**.

(c) To obtain an Advance, Borrower must follow the procedures set forth in **Section 3.3**.

2.1.2 Letters of Credit Sublimit.

Bank will issue letters of credit ("***Letters of Credit***") for Borrower's account not exceeding the Committed Revolving Line*minus* the sum of (a) all amounts for services utilized under the Cash Management Services Sublimit, (b) the FX Reserve, and (c) the sum of the outstanding principal balance of the Advances. Each Letter of Credit will have an expiry date of no later than 180 days after the Revolving Maturity Date. Borrower's reimbursement obligation with respect to any Letter of Credit with an expiry date later than the Revolving Maturity Date will be secured by cash on terms reasonably acceptable to Bank on or before the Revolving Maturity Date if the term of this Agreement is not extended by Bank. Borrower agrees to execute any further documentation in connection with the Letters of Credit as Bank may reasonably request.

2.1.3 FX Forward Contracts.

If there is availability under the Committed Revolving Line, then Borrower may enter into foreign exchange forward contracts with the Bank under which Borrower commits to purchase from or sell to Bank a set amount of foreign currency more than one business day after the contract date (the "***FX Forward Contract***"). Bank will subtract ten percent (10%) of each outstanding FX Forward Contract from the foreign exchange sublimit (the "***FX Reserve***"). The foreign exchange sublimit shall be the Committed Revolving Line *minus* the sum of (a) all amounts for services utilized under the Cash Management Services Sublimit, (b) the amount of all outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit), and (c) the sum of the outstanding principal balance of the Advances. The total FX Forward Contracts at any one time may not exceed ten (10) times the amount of the FX Reserve.

2.1.4 Cash Management Services.

Borrower may use amounts up to the Committed Revolving Line minus the sum of (a) the amount of all outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit), (b) the FX Reserve, and (c) the sum of the outstanding principal balance of the Advances (the "***Cash Management Services Sublimit***") for Bank's Cash Management Services, which may include merchant services, direct deposit of payroll, business credit card, and check cashing services identified in various cash management services agreements related to such services, including automated clearing house and electronic funds transfer services (the "***Cash Management Services***"). Such aggregate amounts utilized under the Cash Management Services Sublimit will at all times reduce the amount otherwise available to be borrowed under the Committed Revolving Line. Any amounts Bank pays on behalf of Borrower or any amounts that are not paid by Borrower when due for any Cash Management Services will be treated as Prime Rate Advances under the Committed Revolving Line and will accrue interest at the rate for Prime Rate Advances.

2.2 Suspension and Termination of Commitment to Lend; Termination of this Agreement.

Bank shall have no obligation to make Credit Extensions (a) upon the occurrence and during the continuance of an Event of Default or if there exists any event, condition, or act which with notice or lapse of time, or both, would constitute an Event of Default or (b) upon the occurrence of any Change in Control of Borrower. Bank's obligation to make Credit Extensions shall terminate on the Revolving Maturity Date. Borrower may, upon five (5) Business Days' prior written notice to Bank, irrevocably terminate this Agreement provided that all Obligations have been paid in full and no Letters of Credit remain outstanding (other than Letters of Credit that have been secured by cash on terms acceptable to Bank) as of the effective date of such termination.

2.3 Overadvances.

If, at any time Borrower's aggregate obligations under **Sections 2.1.1, 2.1.2, 2.1.3**, and **2.1.4**, exceed the Committed Revolving Line, Borrower must, after written notice from Bank, immediately pay Bank the excess.

2.4 Interest Rates.

(a) During the Revolving Period, Borrower shall pay interest on the Advances (other than Advances with respect to which Borrower has selected the Term Loan Option) at the following rates: (i) the greater of (A) the Prime Rate and (B) four percent (4.00%) per annum, or (ii) at the election of Borrower, Adjusted LIBOR *plus* the Applicable Revolver LIBOR Margin per annum.

(b) If Borrower has selected the Term Loan Option, then, commencing on the Term Loan Option Date, Borrower shall pay interest on Advances with respect to which Borrower has selected the Term Loan Option at the following rates: (i) the Prime Rate per annum or (ii) at the election of Borrower, Adjusted LIBOR *plus* the Applicable Term LIBOR Margin per annum.

The Applicable Margins are as follows:

Applicable Margin	Initial Margin	Margin during Covenant Level 2
Applicable Revolver LIBOR Margin	2.00%	1.75%
Applicable Term LIBOR Margin	2.25%	2.00%

(c) Pursuant to the terms of **Section 3.7**, interest on each Advance shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of any Advance pursuant to this Agreement for the portion of any Advance so prepaid and upon payment (including prepayment) in full thereof.

(d) After an Event of Default occurs and so long as such Event of Default continues, including after an acceleration of the Obligations pursuant to **Section 9.1(a)** (whether before or after entry of judgment to the extent permitted by law), Obligations shall accrue interest at two percent (2.00%) above the rate effective immediately before the Event of Default; *provided*, *however*, that on and after the expiration of any Interest Period applicable to any LIBOR Advance outstanding on the date of occurrence of such Event of Default or acceleration, the Effective Amount of such LIBOR Advance shall, during the continuance of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Prime Rate plus two percent (2.00%). Payment or acceptance of the increased interest provided in this **Section 2.4(d)** is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

2.5 Term Loan Option.

(a) To select the Term Loan Option, no less than five (5) calendar days prior to the Term Loan Option Date, Borrower shall complete, execute, and deliver to Bank an election notice substantially in the form attached hereto as Exhibit A.

(b) If Borrower selects the Term Loan Option, the Advances chosen to continue under such Term Loan Option are payable in eight (8) equal quarterly installments of principal plus accrued interest, beginning on the First Installment Payment Date and ending on the Term Loan Maturity Date. In addition, Borrower may prepay, without penalty or premium, all or any portion of the Advances chosen to be continued under the Term Loan Option. Prepayments of Advances under the Term Loan Option will be applied to payments due in the inverse order of their maturity. When repaid or prepaid, Advances chosen to be continued by Borrower under the Term Loan Option may not be reborrowed.

2.6 General Provisions.

Bank may debit any of Borrower's deposit accounts maintained with Bank for principal and interest payments due and owing or any amounts Borrower owes Bank pursuant to the Loan Documents which are then due and owing, including the Designated Deposit Account. These debits are not a set-off. Payments received after 12:00 noon (Pacific time) are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest accrue.

2.7 Fees.

Borrower shall pay to Bank:

(a) all documented Bank Expenses incurred through and after the Effective Date, when due (including (i) reasonable attorneys' fees and expenses incurred in connection with the documentation, negotiation, execution, and delivery of the Loan Documents associated with the initial Credit Extension, which shall not exceed $30,000 unless otherwise agreed by Borrower and which shall be due and payable on the Effective Date, and (ii) fees and expenses relating to Bank's initial field examination of Borrower, which fees and expenses shall not exceed $5,000, unless otherwise agreed by Borrower); and

(b) on the Effective Date, a fully-earned loan fee (the "***Loan Fee***") equal to $95,000. If Borrower fails to maintain an average of $25,000,000 on deposit with Bank for the 12 months following the Effective Date, then Borrower shall pay to Bank on the earlier to occur of the first anniversary of the Effective Date or the date this Agreement terminates, an additional loan fee equal to the product of $82.19 multiplied by the number of days that Borrower failed to maintain $25,000,000 on deposit with Bank during such period; and

(c) as additional compensation for Bank's Revolving Loan Commitment, in arrears, on the first Business Day of each quarter prior to the Revolving Maturity Date and on the Revolving Maturity Date, a fee for Borrower's non-use of available funds in an amount equal to 0.20% multiplied by the difference between (i) the Revolving Loan Commitment and (ii) the sum of (A) the daily average of the closing balance of the aggregate Advances outstanding during the period for which such fee is due (any period, a "***Usage Period***"), plus, (B) the daily average of the face amount of all Letters of Credit issued for the account of Borrower outstanding during such Usage Period, plus, (C) the daily average of the FX Reserve during such Usage Period, plus, (D) the daily average of the amount of all Cash Management Services utilized by Borrower during such Usage Period.

2.8 Mandatory Prepayment Event.

Concurrently with the occurrence of any Change in Control of Borrower, Borrower shall prepay in full, without penalty or premium, all outstanding Obligations and shall post cash collateral, upon terms reasonably acceptable to Bank, in the face amount of any undrawn Letters of Credit.

3. CONDITIONS OF CREDIT EXTENSIONS

3.1 Conditions Precedent to Initial Credit Extension.

Bank's obligation to make the initial Credit Extension is subject to the condition precedent that the following have been satisfied, all in form and substance reasonably satisfactory to Bank:

(a) the parties shall have executed and delivered the Loan Documents;

(b) Borrower shall have delivered executed one or more Control Agreement(s), in form and substance satisfactory to Bank, by and among Borrower, Bank, and such banks or financial institutions as is necessary for Bank to perfect its security interest in the Domestic Collateral Accounts;

(c) Borrower shall have delivered its Operating Documents and a good standing certificate of Borrower from the Secretary of State of Borrower's jurisdiction of formation;

(d) Borrower shall have delivered a copy of the resolutions of its Board of Directors certified to be a true and correct copy by its secretary or other authorized officer, together with incumbency information and specimen signatures;

(e) Bank shall have received the certificates of insurance described in Section 6.5 hereof;

(f) Subject to the limitations set forth in **Section 2.7**, Borrower shall have paid all documented and invoiced costs and fees, including Bank Expenses, then due; and

(g) Borrower shall have delivered to Bank, in addition to the documents required in **Sections 3.2** and **3.3**, all documents, certificates, and other assurances that Bank or its counsel may reasonably request.

3.2 Conditions Precedent to all Credit Extensions.

Bank's obligation to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) timely receipt of a Notice of Borrowing in the form attached as Exhibit B; and

(b) the representations and warranties in **Section 5** shall be true, accurate and complete on the date of the Notice of Borrowing and on the Funding Date, and no Event of Default shall have occurred and be continuing, or result from, an Advance and/or Credit Extension; *provided*, *however*, that those representations and warranties expressly referring to a date other than the Funding Date are true, accurate and complete as of such date; and *provided*, *further*, that the representations and warranties set forth in **Section 5** shall be deemed to be made with respect to the financial statements most recently delivered to the Bank pursuant to **Section 6.2**. Borrower's receipt of an Advance is Borrower's representation and warranty on that date that the representations and warranties in **Section 5** remain true, accurate and complete, subject to the provisos set forth in the preceding sentence.

3.3 Procedure for the Borrowing of Advances.

(a) Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this Agreement, including **Section 3.1** and **Section 3.2** for Advances made on the Effective Date and **Section 3.2** for all Advances, each Advance shall be made upon Borrower's irrevocable written notice delivered to Bank in the form of a Notice of Borrowing, each executed by a Responsible Officer of Borrower or his or her designee or without instructions if the Advances are necessary to meet Obligations which have become due. Bank may rely on any telephone notice given by a person whom Bank believes is a Responsible Officer or designee. Borrower will indemnify Bank for any loss Bank suffers due to such reliance (other than losses resulting from Bank's gross negligence or willful misconduct). Such Notice of Borrowing must be received by Bank prior to 12:00 noon(Pacific time), (i) at least three (3) Business Days prior to the requested Funding Date, in the case of LIBOR Advances, and (ii) at least one (1) Business Day prior to the requested Funding Date, in the case of Prime Rate Advances, specifying:

(i) the amount of the Advance, which, if a LIBOR Advance is requested, shall be in an aggregate minimum principal amount of $1,000,000 or in any integral multiple of $100,000 in excess thereof;

(ii) the requested Funding Date, which shall be a Business Day;

(iii) whether the Advance is to be comprised of LIBOR Advances or Prime Rate Advances; and

(iv) the duration of the Interest Period applicable to any such LIBOR Advances included in such notice; provided that if the Notice of Borrowing shall fail to specify the duration of the Interest Period for any Advance comprised of LIBOR Advances, such Interest Period shall be one (1) month.

(b) The proceeds of all such Advances will then be made available to Borrower on the Funding Date by Bank by transfer to the Designated Deposit Account.

3.4 Conversion and Continuation Elections.

(a) So long as (1) no Event of Default or event which with notice, passage of time, or both would constitute an Event of Default exists; (2) no party hereto shall have sent any notice of termination of this Agreement; and (3) Borrower shall have complied with such customary procedures as Bank has established from time to time for Borrower's requests for LIBOR Advances, Borrower may, upon irrevocable written notice to Bank:

(i) elect to convert on any Business Day, Prime Rate Advances in an amount equal to $1,000,000 or any integral multiple of $100,000 in excess thereof into LIBOR Advances;

(ii) elect to continue on any Interest Payment Date any LIBOR Advances maturing on such Interest Payment Date (or any part thereof in an amount equal to $1,000,000 or any integral multiple of $100,000 in excess thereof); *provided*, that if the aggregate amount of LIBOR Advances shall have been reduced, by payment, prepayment, or conversion of part thereof, to be less than $1,000,000, such LIBOR Advances shall automatically convert into Prime Rate Advances; or

(iii) elect to convert on any Interest Payment Date any LIBOR Advances maturing on such Interest Payment Date (or any part thereof in an amount equal to $1,000,000 or any integral multiple of $100,000 in excess thereof) into Prime Rate Advances.

(b) Borrower shall deliver a Notice of Conversion/Continuation substantially in the form attached hereto asExhibit C to be received by Bank prior to 11:00 a.m. (Pacific time) at least (i) three (3) Business Days in advance of the Conversion Date or Continuation Date, if any Advances are to be converted into or continued as LIBOR Advances; and (ii) one (1) Business Day in advance of the Conversion Date, if any Advances are to be converted into Prime Rate Advances, in each case specifying:

(i) the proposed Conversion Date or Continuation Date;

(ii) the aggregate amount of the Advances to be converted or continued which, if any Advances are to be converted into or continued as LIBOR Advances, shall be in an aggregate minimum principal amount of $1,000,000 or in any integral multiple of $100,000 in excess thereof;

(iii) whether a conversion or a continuation is proposed; and

(iv) the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to any LIBOR Advances, Borrower shall have timely failed to select a new Interest Period to be applicable to such LIBOR Advances, Borrower shall be deemed to have elected to convert such LIBOR Advances into Prime Rate Advances.

(d) Any LIBOR Advances shall, at Bank's option, convert into Prime Rate Advances in the event that (i) an Event of Default, or event which with notice, the passage of time, or both would constitute an Event of Default, shall exist, (ii) the Agreement shall terminate, or (iii) the aggregate principal amount of the Prime Rate Advances which have been previously converted to LIBOR Advances, or the aggregate principal amount of existing LIBOR Advances continued, as the case may be, at the beginning of an Interest Period shall at any time during such Interest Period exceed the Committed Revolving Line. Borrower agrees to pay Bank, upon demand by Bank (or Bank may, at its option, charge the Designated Deposit Account or any other account Borrower maintains with Bank) any amounts required to compensate Bank for any loss (including loss of anticipated profits), cost, or expense incurred by Bank, as a result of the conversion of LIBOR Advances to Prime Rate Advances pursuant to any of the foregoing. Concurrently with any demand for compensation under this Section 3.4(d), Bank will furnish Borrower with a statement setting forth the basis and amount of such request by Bank for such compensation. Determinations by Bank for purposes of this Section 3.4(d) of the amounts required to compensate Bank in respect of any loss, costs or expense incurred by Bank as a result of the conversion of LIBOR Advances to Prime Rate Advances pursuant to the circumstances set forth in Sections 3.4(d)(i)-(iii) shall be conclusive absent manifest error.

(e) Notwithstanding anything to the contrary contained herein, Bank shall not be required to purchase United States Dollar deposits in the London interbank market or other applicable LIBOR market to fund any LIBOR Advances, but the provisions hereof shall be deemed to apply as if Bank had purchased such deposits to fund the LIBOR Advances.

3.5 Special Provisions Governing LIBOR Advances.

Notwithstanding any other provision of this Agreement to the contrary, the following provisions shall govern with respect to LIBOR Advances as to the matters covered:

(a) Determination of Applicable Interest Rate. As soon as practicable on each Interest Rate Determination Date, Bank shall determine (which determination shall, absent manifest error in calculation, be final, conclusive and binding upon all parties) the interest rate that shall apply to the LIBOR Advances for which an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to Borrower.

(b) Inability to Determine Applicable Interest Rate. In the event that Bank shall have determined (which determination shall be final and conclusive and binding upon all parties hereto), on any Interest Rate Determination Date with respect to any LIBOR Advance, that by reason of circumstances affecting the London interbank market adequate and fair means do not exist for ascertaining the interest rate applicable to such Advance on the basis provided for in the definition of LIBOR, Bank shall on such date give notice (by telefacsimile or by telephone confirmed in writing) to Borrower of such determination, whereupon (i) no Advances may be made as, or converted to, LIBOR Advances until such time as Bank notifies Borrower that the circumstances giving rise to such notice no longer exist, and (ii) any Notice of Borrowing or Notice of Conversion/Continuation given by Borrower with respect to Advances in respect of which such determination was made shall be deemed to be rescinded by Borrower and, with respect to a Notice of Conversion/Continuation, be deemed a request to convert or continue Advances referred to therein as Prime Rate Advances.

(c) Compensation for Breakage or Non-Commencement of Interest Periods. Borrower shall compensate Bank, upon written request by Bank (which request shall set forth the manner and method of computing such compensation), for all reasonable losses, expenses and liabilities, if any (including any interest paid by Bank to lenders of funds borrowed by it to make or carry its LIBOR Advances and any loss, expense or liability incurred by Bank in connection with the liquidation or re-employment of such funds) such that Bank may incur: (i) if for any reason (other than a default by Bank or due to any failure of Bank to fund LIBOR Advances due to illegality under **Section 3.6(e)** or impracticability under **Section 3.6(d)**) a borrowing or a conversion to or continuation of any LIBOR Advance does not occur on a date specified in a Notice of Borrowing or a Notice of Conversion/Continuation, as the case may be, or (ii) if any principal payment or any conversion of any of its LIBOR Advances occurs on a date prior to the last day of an Interest Period applicable to that Advance.

Concurrently with any demand for compensation under this **Section 3.5(c)**, Bank will furnish Borrower with a statement setting forth the basis and amount of such request by Bank for such compensation. Determinations by Bank for purposes of this **Section 3.5(c)** of the amounts required to compensate Bank in respect of any loss, expense or liability incurred by Bank as a result of the circumstances set forth in **Sections 3.5(c)(i)-(ii)** shall be conclusive absent manifest error.

(d) Assumptions Concerning Funding of LIBOR Advances. Calculation of all amounts payable to Bank under this **Section 3.5** and under **Section 3.3** shall be made as though Bank had actually funded each of its relevant LIBOR Advances through the purchase of a Eurodollar deposit bearing interest at the rate obtained pursuant to the definition of LIBOR Rate in an amount equal to the amount of such LIBOR Advance and having a maturity comparable to the relevant Interest Period; *provided*, *however*, that Bank may fund each of its LIBOR Advances in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this **Section 3.5** and under **Section 3.3**.

(e) LIBOR Advances After Event of Default. After the occurrence of and during the continuation of an Event of Default, (i) Borrower may not elect to have an Advance be made or continued as, or converted to, a LIBOR Advance after the expiration of any Interest Period then in effect for such Advance, and (ii) subject to the provisions of **Section 3.5(c)**, any Notice of Conversion/Continuation given by Borrower with respect to a requested conversion/continuation that has not yet occurred shall be deemed to be rescinded by Borrower and be deemed a request to convert or continue Advances referred to therein as Prime Rate Advances.

3.6 Additional Requirements/Provisions Regarding LIBOR Advances.

(a) If for any reason (including voluntary or mandatory prepayment or acceleration), Bank receives all or part of the principal amount of a LIBOR Advance prior to the last day of the Interest Period for such Advance, Borrower shall immediately notify Borrower's account officer at Bank and, within fifteen (15) days after written demand by Bank, pay Bank the amount (if any) by which (i) the additional interest which would have been payable on the amount so received had it not been received until the last day of such Interest Period exceeds (ii) the interest which would have been recoverable by Bank by placing the amount so received on deposit in the certificate of deposit markets, the offshore currency markets, or United States Treasury investment products, as the case may be, for a period starting on the date on which it was so received and ending on the last day of such Interest Period at the interest rate determined by Bank in its reasonable discretion. Bank's determination as to such amount shall be conclusive absent manifest error.

(b) Borrower shall pay Bank, within fifteen (15) days after written demand by Bank, from time to time such amounts as Bank may determine to be necessary to compensate it for any costs incurred by Bank that Bank determines are attributable to its making or maintaining of any amount receivable by Bank hereunder in respect of any Advances relating thereto (such increases in costs and reductions in amounts receivable being herein called "***Additional Costs***"), in each case resulting from any Regulatory Change which:

(i) changes the basis of taxation of any amounts payable to Bank under this Agreement in respect of any Advances (other than changes which affect taxes measured by or imposed on the overall net income or capital of Bank by the jurisdiction in which Bank has its principal office);

(ii) imposes or modifies any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with, or other liabilities of Bank (including any Advances or any deposits referred to in the definition of LIBOR); or

(iii) imposes any direct costs on Bank in respect of any Advances.

Bank will notify Borrower of any event occurring after the Effective Date which will entitle Bank to compensation pursuant to this **Section 3.6(b)** as promptly as practicable after it obtains knowledge thereof and determines to request such compensation. Concurrently with any demand for compensation under this **Section 3.6(b)**, Bank will furnish Borrower with a statement setting forth the basis and amount of such request by Bank for such compensation. Determinations and allocations by Bank for purposes of this **Section 3.6(b)** of the effect of any Regulatory Change on its costs of maintaining its obligations to make Advances, of making or maintaining Advances, or on amounts receivable by it in respect of Advances, and of the additional amounts required to compensate Bank in respect of any Additional Costs, shall be conclusive absent manifest error.

(c) If Bank shall determine that the adoption or implementation of any applicable law, rule, regulation, or treaty regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Bank (or its applicable lending office) with any respect or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on capital of Bank or any person or entity controlling Bank (a "***Parent***") as a consequence of its obligations hereunder to a level below that which Bank (or its Parent) could have achieved but for such adoption, change, or compliance (taking into consideration policies with respect to capital adequacy) by an amount deemed by Bank to be material, then from time to time, within fifteen (15) days after written demand by Bank, Borrower shall pay to Bank such additional amount or amounts as will compensate Bank for such reduction. Concurrently with any demand for compensation under this **Section 3.6(c)**, Bank will furnish Borrower with a statement setting forth the basis and amount of such request by Bank for such compensation, which statement shall be conclusive absent manifest error.

(d) If, at any time, (i) the amount of LIBOR Advances for periods equal to the corresponding Interest Periods is not available to Bank in the offshore currency interbank markets, or (ii) LIBOR does not accurately reflect the cost to Bank of lending the LIBOR Advances, then Bank shall promptly give notice thereof to Borrower. Upon the giving of such notice, Bank's obligation to make the LIBOR Advances shall terminate.

(e) If it shall become unlawful for Bank to continue to fund or maintain any LIBOR Advances, or to perform its obligations hereunder, upon demand by Bank, Borrower shall prepay the Advances in full with accrued interest thereon and all other amounts payable by Borrower hereunder (including, without limitation, any amount payable in connection with such prepayment pursuant to **Section 3.6(a)**). Notwithstanding the foregoing, to the extent a determination by Bank as described above relates to a LIBOR Advance then being requested by Borrower pursuant to a Notice of Borrowing or a Notice of Conversion/Continuation, Borrower shall have the option, subject to the provisions of **Section 3.5(c)**, to (i) rescind such Notice of Borrowing or Notice of Conversion/Continuation by giving notice (by telefacsimile or by telephone confirmed in writing) to Bank of such rescission on the date on which Bank gives notice of its determination as described above, or (ii) modify such Notice of Borrowing or Notice of Conversion/Continuation to obtain a Prime Rate Advance or to have outstanding Advances converted into or continued as Prime Rate Advances by giving notice (by telefacsimile or by telephone confirmed in writing) to Bank of such modification on the date on which Bank gives notice of its determination as described above.

(f) Failure or delay on the part of Bank to demand compensation pursuant to the provisions of**Sections 3.6(b)** or **3.6(c)** shall not constitute a waiver of Bank's right to demand such compensation, *provided* that Borrower shall not be required to compensate Bank pursuant to the provisions of**Sections 3.6(b)** or **3.6(c)** for any costs incurred or reductions suffered more than 90 days prior to the date that Bank notifies Borrower of the Regulatory Change giving rise to such increased costs or reductions and of Bank's intention to claim compensation therefor.

3.7 Calculation of Interest and Fees.

Interest on the Advances and all fees payable hereunder shall be computed on the basis of a 360-day year and the actual number of days elapsed (other than Prime Rate Advances, which shall be computed on the basis of a 365-day year and the actual number of days elapsed) in the period during which such interest accrues. In computing interest on any Advance, the date of the making of such Advance shall be included and the date of payment shall be excluded; *provided*, however, that if any Advance is repaid on the same day on which it is made, such day shall be included in computing interest on such Advance.

(a) Prime Rate Advances. Each change in the interest rate of the Prime Rate Advances based on changes in the Prime Rate shall be effective on the effective date of such change and to the extent of such change. Interest on Prime Rate Advances is payable quarterly by debit to the Designated Deposit Account on each Interest Payment Date.

(b) LIBOR Advances. The interest rate applicable to each LIBOR Advance shall be determined in accordance with **Section 3.5(a)** hereunder. Subject to **Sections 3.5** and **3.6**, such rate shall apply during the entire Interest Period applicable to such LIBOR Advance, and interest calculated thereon shall be payable on the Interest Payment Date applicable to such LIBOR Advance.

4. CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest.

Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations and the performance of each of Borrower's duties under the Loan Documents, a continuing security interest in the Collateral and all proceeds and products thereof. Borrower warrants and represents that the security interest granted herein shall be a perfected first priority security interest in the Filing Collateral (which security interest shall be perfected by the filing of any financing statements required by the Code) and in the Domestic Collateral Accounts (which security interest shall be perfected by "control" pursuant to Section 9104 or Section 9106 of the Code, as applicable), subject only to Permitted Liens.

Borrower agrees that any disposition of the Collateral in violation of this Agreement, by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code. If the Agreement is terminated, Bank's lien and security interest in the Collateral shall continue until Borrower fully satisfies its Obligations. If Borrower shall at any time, file a commercial tort claim in any court where the amount of damages claimed exceeds $500,000, Borrower shall promptly notify Bank in a writing signed by Borrower of the brief details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

Once the Obligations have been indefeasibly paid in full (other than inchoate indemnity obligations) or otherwise performed in full and Bank's obligations to provide Credit Extensions hereunder have terminated, (i) Bank's security interest in the Collateral shall automatically terminate, (ii) all rights to the Collateral shall automatically revert to Borrower and (iii) Bank shall promptly return any pledged Collateral to Borrower, or to the Person or Persons legally entitled thereto, and shall promptly endorse, execute, deliver, record and file all financing statements, instruments and documents, and do all other acts and things, reasonably required for the return of the Collateral to Borrower, or to the Person or Persons legally entitled thereto, and to evidence or document the release and termination of Bank's interests arising under this Agreement, all as reasonably requested by, and at the expense of, Borrower. Bank's Lien on any Collateral sold or otherwise transferred by Borrower in a transaction which is not a Default or Event of Default under this Agreement shall terminate effective upon such sale or other transfer. Upon such termination or Bank's release of any Collateral prior to indefeasible payment or performance in full of the Obligations, Bank shall execute and deliver to Borrower (or to a party designated by Borrower) such documents as may be appropriate to confirm such termination or release, including documents necessary to terminate financing statements or to evidence the release (or partial release) of Collateral under financing statements filed under the Code.

4.2 Authorization to File Financing Statements.

Borrower hereby authorizes Bank to file financing statements with all appropriate jurisdictions, to perfect or protect Bank's interest or rights hereunder.

5. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 Due Organization and Authorization.

Borrower and each Subsidiary is duly existing and, in any jurisdiction in which such legal concept is applicable, in good standing in its jurisdiction of organization and is qualified and licensed to do business in, and, in any jurisdiction in which such legal concept is applicable, is in good standing in, any jurisdiction in which the conduct of its business or its ownership of property requires that it be qualified, except where the failure to do any of the foregoing could not reasonably be expected to cause a Material Adverse Change. In connection with this Agreement, Borrower has delivered to Bank a certificate signed by Borrower and entitled "Collateral Information Certificate". Borrower represents and warrants to Bank that: (a) Borrower's exact legal name is that indicated on the Collateral Information Certificate and on the signature page hereof; (b) Borrower is an organization of the type, and is organized in the jurisdiction, set forth in the Collateral Information Certificate; (c) the Collateral Information Certificate accurately sets forth Borrower's organizational identification number or accurately states that Borrower has none; and (d) the Collateral Information Certificate accurately sets forth Borrower's place of business, or, if more than one, its chief executive office as well as Borrower's mailing address if different, and (e) all other information set forth on the Collateral Information Certificate pertaining to Borrower is accurate and complete. If Borrower does not now have an organizational identification number, but later obtains one, Borrower shall promptly notify Bank of such organizational identification number.

The execution, delivery and performance of the Loan Documents have been duly authorized by Borrower, and do not conflict with Borrower's organizational documents, nor constitute an event of default under any material agreement by which Borrower is bound.

Borrower is not in default under any agreement to which or by which it is bound in which the default could reasonably be expected to cause a Material Adverse Change.

5.2 Collateral.

Borrower has good title to the Collateral, free of Liens except Permitted Liens. Borrower maintains its primary operating accounts with Bank or with Bank's Affiliates and all other deposit or investment accounts of Borrower are disclosed in the Collateral Information Certificate or have otherwise been disclosed to Bank in writing. The Domestic Accounts are bona fide, existing obligations, and the service or property has been performed or delivered to the account debtor or its agent for immediate shipment to and unconditional acceptance by the account debtor. Except as otherwise disclosed in writing to Bank, no Collateral consisting of Inventory with an aggregate value in excess of $200,000 is in the possession of any third party bailee (such as a warehouse). Except as hereafter disclosed to Bank in writing by Borrower pursuant to and within the timeframe provided by **Section 6.2(f)(i)**, none of the components of the Collateral with an aggregate value in excess of $200,000 is maintained at locations other than as provided in the Collateral Information Certificate. In the event that Borrower, after the date hereof, intends to deliver possession of any Collateral consisting of Inventory with an aggregate value in excess of $200,000 to a bailee, then Borrower shall first obtain the written consent of Bank, and such bailee must acknowledge in writing that the bailee is holding such Collateral for the benefit of Bank. All Inventory is in all material respects of good and marketable quality, free from material defects.

5.3 Litigation.

Except as shown in the Collateral Information Certificate, there are no actions or proceedings pending or, to the knowledge of Borrower's Responsible Officers or legal counsel, threatened in writing by or against Borrower or any Subsidiary which could reasonably be expected to cause a Material Adverse Change.

5.4 No Material Deterioration in Financial Statements.

All consolidated financial statements for Borrower, and any Subsidiary, delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been a Material Adverse Change since the date of the most recent financial statements submitted to Bank.

5.5 Solvency.

The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.6 Regulatory Compliance.

Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Borrower has not violated any laws, ordinances or rules, the violation of which could reasonably be expected to cause a Material Adverse Change. None of Borrower's or any Subsidiary's properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each Subsidiary have timely (taking into account any extensions of time granted to Borrower) filed all required tax returns and paid, or made adequate provision to pay, all material taxes, except those being contested in good faith with adequate reserves under GAAP. Borrower and each Subsidiary have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all government authorities that are necessary to continue its business as currently conducted, except where the failure to make such declarations, notices or filings would not reasonably be expected to cause a Material Adverse Change.

5.7 Subsidiaries.

Except as shown in the Collateral Information Certificate or as Borrower may otherwise notify Bank in writing from time to time, Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.8 Full Disclosure.

No written representation, warranty or other statement of Borrower in any certificate or written statement given to Bank (taken together with all such written certificates and written statements given to Bank) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading, it being recognized by Bank that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results.

6. AFFIRMATIVE COVENANTS

Borrower shall, and, where indicated, shall cause each of its Domestic Subsidiaries to, do all of the following for so long as Bank has an obligation to lend or there are outstanding Obligations:

6.1 Government Compliance.

(a) Except as to Subsidiaries in connection with a transaction permitted by Section 7.1(f) or a merger permitted by Section 7.4, maintain its and all its Domestic Subsidiaries' legal existence and, to the extent such legal concept is applicable, good standing in their respective jurisdictions of organization except where the failure to do so could not reasonably be expected to cause a Material Adverse Change;

(b) Maintain its and its Domestic Subsidiaries' qualification to do business (to the extent such legal concept is applicable) in each jurisdiction where the failure to so qualify could reasonably be expected to cause a Material Adverse Change; and

(c) Comply, and have each of its Domestic Subsidiaries comply, with all laws, ordinances and regulations to which it is subject, for which noncompliance or would reasonably be expected to cause a Material Adverse Change.

6.2 Financial Statements, Reports, Certificates.

(a) Deliver to Bank: (i) as soon as available, but no later than forty-five (45) days after the last day of each quarter, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations during the period certified by a Responsible Officer and in a form acceptable to Bank; (ii) as soon as available, but no later than ninety (90) days after the last day of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an opinion on the financial statements from a nationally-recognized, independent, certified public accounting firm; (iii) within five (5) Business Days of filing, copies of all reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission; (iv) a prompt report of any legal actions pending or threatened in writing against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of Two Million Dollars ($2,000,000) or more; (v) as soon as available, but no later than ninety (90) days after the end of each fiscal year, a one (1) year (prepared on a quarterly basis) financial projections of Borrower on a consolidated basis, including a balance sheet and statements of income and cash flows prepared in accordance with GAAP and showing projected operating revenues, expenses and debt service of Borrower on a consolidated basis; and (vi) budgets, sales projections, operating plans or other financial information reasonably requested by Bank.

Documents required to be delivered pursuant to this **Section 6.2(a)** (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at Borrower's website address of *www.equinix.com* (or such other website address as Borrower may provide to Bank in writing from time to time); *provided* that: (x) to the extent Bank is otherwise unable to receive any such electronically delivered documents, Borrower shall, upon request by Bank, deliver paper copies of such documents to Bank until a written request to cease delivering paper copies is given by Bank and (y) Borrower shall notify Bank (by telecopier or electronic mail) of the posting of any such documents or provide to Bank by electronic mail electronic versions (i.e., soft copies) of such documents.

(b) Borrower shall deliver to Bank, as soon as available, but no later than forty-five (45) days after the last day of each month and together with the annual financial statements set forth in **clause (a)(ii)** above, a Compliance Certificate signed by a Responsible Officer in the form of Exhibit D.

(c) Except as otherwise provided herein, once per calendar year, Borrower shall, during normal business hours, from time to time upon five (5) Business Days' prior notice: (i) provide Bank and any of its officers, employees and agents access to its properties, facilities, advisors, officers and employees of Borrower and to the Collateral, (ii) permit Bank, and any of its officers, employees and agents, to inspect, audit and make extracts from Borrower's books and records, and (iii) permit Bank, and its officers, employees and agents, to inspect, review, evaluate and make test verifications and counts of the Domestic Accounts, Inventory and other Collateral of Borrower. So long as no Default or Event of Default shall have occurred and be continuing, Borrower shall reimburse Bank for not more than one (1) inspection in any calendar year in an amount not to exceed $10,000. If an Event of Default has occurred and is continuing, Borrower shall provide access to (x) its properties, facilities, advisors, officers and employees of Borrower and to the Collateral at all times and without advance notice, and (y) its suppliers and customers upon request from Bank. Borrower shall promptly make available to Bank and its counsel originals or copies of all books and records that Bank may reasonably request.

(d) Borrower shall permit Bank to conduct its initial field examination within ninety (90) days after the Effective Date. In addition to any audits or inspections conducted by Bank pursuant to the terms of **clause (c)** above, Borrower shall permit Bank to conduct annual field examinations during the term of this Agreement; *provided*, *however*, that Bank shall not be entitled to reimbursement for Bank Expenses in excess of $5,000 per examination; *provided*, *further* that at such time as Covenant Level 2 is in effect and so long as no Event of Default has occurred and is continuing, Bank shall no longer require a field examination of Borrower on an annual basis.

(e) If, at any time prior to Covenant Level 2, the amount of unrestricted cash and Cash Equivalents (net of Obligations and any STT Debt plus any interest accrued thereon) maintained by Borrower and Guarantor with Bank, any Affiliate of Bank, or any other financial institution located in the United States is less than $15,000,000 in the aggregate, then Borrower shall deliver to Bank, within thirty (30) days after the last day of each month, aged listings (by invoice date) of accounts receivable and of accounts payable and a listing of Eligible Domestic Accounts, certified by a Responsible Officer.

(f) Borrower shall provide written notice to Bank (i) such notice to be delivered at the end of the fiscal quarter in which the following such relocation or additions occur, if Borrower relocates its chief executive office, or adds any new offices or business locations, including warehouses (unless such new offices or business locations contain less than $200,000 in Borrower's assets or property), (ii) such notice to be delivered at least thirty (30) days prior to the effective date of the following changes, if Borrower changes (1) its jurisdiction of organization, (2) its organizational structure or type, (3) its legal name, or (4) the organizational number (if any) assigned by its jurisdiction of organization.

6.3 Inventory; Returns.

Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its account debtors shall follow Borrower's customary practices. Borrower must promptly notify Bank of all returns, recoveries, disputes and claims, that involve more than $250,000.

6.4 Taxes.

Make, and cause each Subsidiary to make, timely (taking into account any extensions of time granted to Borrower) payment of all material federal, state, and local taxes or assessments (other than taxes and assessments which Borrower is contesting in good faith, with reserves maintained to the extent required by GAAP) and will deliver to Bank, on demand, appropriate certificates attesting to such payments.

6.5 Insurance.

Keep its business and the Collateral insured for such risks and in such amounts as is customary for Persons similarly situated as Borrower. All property policies shall have a lenders' loss payable endorsement showing Bank as an additional loss payee; all liability policies shall show Bank as an additional insured; all policies shall provide that the insurer must give Bank at least twenty (20) days notice before canceling its policy. At Bank's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Following the occurrence and during the continuance of an Event of Default, proceeds payable under any policy shall, at Bank's option be payable to Bank on account of the Obligations.

6.6 Primary Accounts.

(a) Maintain Borrower's primary operating accounts with Bank or any Affiliate of Bank (collectively, "***SVB Accounts***");

(b) Provide Bank five (5) Business Days advance written notice before establishing any Domestic Collateral Account at or with any bank or financial institution (other than Bank). In addition, for each Domestic Collateral Account that Borrower at any time maintains, Borrower shall cause each applicable bank or financial institution (other than Bank) at or with which any Domestic Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Domestic Collateral Account to perfect Bank's security interest in such Domestic Collateral Account; and

(c) At all times STT Debt of $2,500,000 or more is outstanding, maintain cash or investment property pledged to STT separate from cash or Cash Equivalents in SVB Accounts or Domestic Collateral Accounts.

6.7 Financial Covenants.

(a) (i) At all times that Covenant Level 1 is in effect, Borrower and Guarantor shall maintain (A) with Bank, any Affiliate of Bank, or any other financial institution located in the United States, unrestricted cash and Cash Equivalents (excluding cash and Cash Equivalents in amount equal to the outstanding principal amount of the STT Debt plus all unpaid interest accrued thereon), and (B) **[*]**, plus (2) the then outstanding amount of the Obligations. In measuring the Liquidity (which shall be tested on a monthly basis), not more than $7,500,000 shall be attributable to Eligible Domestic Accounts. (ii) At all times Covenant Level 2 is in

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* CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

effect, Borrower and Guarantor shall maintain with Bank, any Affiliate of Bank, or any other financial institution located in the United States, cash and Cash Equivalents in an aggregate amount (excluding cash and Cash Equivalents in amount equal to the outstanding principal amount of the STT Debt plus all unpaid interest accrued thereon) of at least (1) **[*]**. (iii) In the event Covenant Level 2 is not yet in effect on the first anniversary of the Effective Date, Borrower and Guarantor shall maintain with Bank, any Affiliate of Bank, or any other financial institution located in the United States, cash and Cash Equivalents in an aggregate amount (excluding cash and Cash Equivalents in amount equal to the outstanding principal amount of the STT Debt plus all unpaid interest accrued thereon) of at least (1) **[*]** (the "***Alternate Covenant Level***").

(b) At each date that is a quarter-end, Borrower and its consolidated Subsidiaries shall have achieved total revenue for the two-quarter period ending on such date equal to or greater than the amounts set forth in below opposite each time period set forth below:

Period	Minimum Total Revenue
For the two fiscal quarters ending 9/30/04	**[*]**
For the two fiscal quarters ending 12/31/04	**[*]**
For the two fiscal quarters ending 3/31/05	**[*]**
For the two fiscal quarters ending 6/30/05	**[*]**
For the two fiscal quarters ending 9/30/05	**[*]**
For the two fiscal quarters ending 12/31/05 and each quarter-end thereafter	**[*]**

(c) For each quarter, Borrower and its consolidated Subsidiaries shall achieve an operating cash flow (as determined in accordance with GAAP and reported on Borrower's financial statements, measured on a rolling two-quarters basis, of at least $4,000,000; provided, however, losses for any quarter shall not exceed $1,000,000. At such time as Covenant Level 2 is in effect, Borrower shall no longer be required to maintain such minimum operating cash flow, and this Section 6.7(c) shall no longer be applicable.

6.8 Intentionally Omitted.

6.9 Further Assurances.

Borrower shall execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's security interest in the Collateral or to effect the purposes of this Agreement.

* CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

7. NEGATIVE COVENANTS

Borrower shall not, and, where indicated, shall not permit any of its Subsidiaries to, do any of the following without Bank's prior written consent, for so long as Bank has an obligation to lend or there are any outstanding Obligations:

7.1 Dispositions.

Convey, sell, lease, transfer or otherwise dispose of (collectively a "***Transfer***"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for (a) Transfers of Inventory in the ordinary course of business; (b) non-exclusive licenses, leases, and similar arrangements for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; (c) Transfers of worn out, surplus, damaged, or obsolete Equipment; (d) Transfers associated with the making or disposition of a Permitted Investment; (e) dispositions of cash or Permitted Investments in a manner not prohibited by this Agreement; (f) mergers or consolidations of any Subsidiary into Borrower or another Subsidiary or liquidations of or dissolutions of Subsidiaries; (g) Transfers in connection with transaction permitted under **Section 7.4**; (h) Transfers of unimproved real property; (i) Transfers of any Facility if as of the date of such Transfer such Facility is a Non-Performing Facility; and (j) Transfers not otherwise permitted in this **Section 7.1**, *provided*, that the aggregate book value of all such other Transfers by Borrower and its Subsidiaries, together, shall not exceed $5,000,000 in any fiscal year.

7.2 Changes in Business.

Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower or reasonably related thereto.

7.3 Dissolution.

Dissolve or elect to dissolve.

7.4 Mergers; Consolidations.

Merge or consolidate with another corporation or entity, or acquire all or substantially all of the capital stock or property of a Person; provided that Borrower may merge or consolidate with another corporation or entity or acquire all or substantially all of the capital stock or property of a Person, if (a) a Default or an Event of Default shall not have occurred and be continuing and would not occur as a result of such transaction, and (b) Borrower is the sole survivor after giving effect to the transaction;

7.5 Indebtedness.

Prior to the effectiveness of Covenant Level 2, create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness. While Covenant Level 2 is in effect, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, if any of the foregoing would result in the occurrence of or constitute a Default or an Event of Default.

7.6 Encumbrance.

Prior to the effectiveness of Covenant Level 2, create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens. While Covenant Level 2 is in effect, create, incur, or allow any Lien on any of its property, or permit any of its Subsidiaries to do so, if any of the foregoing would result in the occurrence of or constitute a Default or an Event of Default. Permit any Collateral not to be subject to the first priority security interest granted herein, subject only to Permitted Liens.

7.7 Distributions; Investments.

Prior to the effectiveness of Covenant Level 2, directly or indirectly acquire or own any Person, or make any Investment in any Person, other than Permitted Investments, or permit any of its Domestic Subsidiaries to do so; or pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock except for Permitted Distributions. While Covenant Level 2 is in effect, directly or indirectly acquire or own any Person, or make any Investment in any Person, or permit any of its Domestic Subsidiaries to do so, if such acquisition, ownership or Investment would result in the occurrence of or constitute a Default or an Event of Default; or pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock if any of the foregoing would result in the occurrence of or constitute a Default or an Event of Default.

7.8 Transactions with Affiliates.

Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower except for transactions that are in the ordinary course of Borrower's business, or upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.9 Subordinated Debt.

Prior to the effectiveness of Covenant Level 2, make or permit any payment on any Subordinated Debt, except under the terms of the Subordinated Debt or any intercreditor agreement to which Bank is a party, or amend any provision in any document relating to the Subordinated Debt without Bank's prior written consent. While Covenant Level 2 is in effect, make or permit any payment on any Subordinated Debt, except under the terms of the Subordinated Debt or any intercreditor agreement to which Bank is a party, or amend any provision in any document relating to the Subordinated Debt, if any of the foregoing would result in the occurrence of or constitute a Default or an Event of Default.

7.10 Compliance.

Become an "investment company" or a company controlled by an "investment company," under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock, or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower's business or operations or would reasonably be expected to cause a Material Adverse Change, or permit any of its Subsidiaries to do so.

8. EVENTS OF DEFAULT

Any one of the following is an Event of Default:

8.1 Payment Default.

If Borrower fails to pay (a) the principal portion of any Credit Extension when due, or (b) the interest portion of any Credit Extension within three (3) Business days after the date due, or (c) any other monetary Obligations within three (3) Business Days after payment of such other Obligation becomes delinquent. During any cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extensions will be made during the cure period).

8.2 Covenant Default.

(a) If Borrower fails to perform any obligation under **Section 6.7** or violates any of the covenants contained in **Sections 7.5, 7.6 or 7.7** of this Agreement, or

(b) If Borrower fails or neglects to perform, keep, or observe any other material term, provision, condition, covenant, or agreement contained in this Agreement, in any other Loan Document, or in any other present or future agreement between Borrower and Bank and as to any default under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure such default within fifteen (15) days after a Responsible Officer is aware of the occurrence thereof; *provided*, *however*, that if the default cannot by its nature be cured within the fifteen (15) day period or cannot after diligent attempts by Borrower be cured within such fifteen (15) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional reasonable period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default (but no Credit Extensions will be made during such cure period).

8.3 Material Adverse Change.

If a Material Adverse Change occurs.

8.4 Attachment.

If (a) any material portion of Borrower’s assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in fifteen (15) days; (b) the service of process upon Borrower seeking to attach, by trustee or similar process, any material portion of funds of Borrower on deposit with Bank, or any entity under the control of Bank (including a subsidiary); (c) Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business; (d) a judgment or other claim becomes a Lien on a material portion of Borrower’s assets; or (e) a notice of lien, levy, or assessment is filed against any material portion of Borrower’s assets by any government agency and not paid within fifteen (15) days after Borrower receives notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower (but no Credit Extensions shall be made during the cure period). For purposes of this Section 8.4, “material portion” means an amount equal to or in excess of Two Million Dollars ($2,000,000).

8.5 Insolvency.

If (a) Borrower is unable to pay its debts (including trade debts) as they mature; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within sixty (60) days (but no Credit Extensions shall be made before any Insolvency Proceeding is dismissed).

8.6 Other Agreements.

If there is a default in any agreement (other than a lease of real property under which a bona fide dispute exists between Borrower and the landlord regarding the existence of a default and for which adequate reserves are maintained) to which Borrower is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of **[*]** or that could result in a Material Adverse Change.

8.7 Judgments.

If a judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least Two Million Dollars ($2,000,000) shall be rendered against Borrower and shall (a) remain unsatisfied and unstayed for a period of ten (10) days and (b) not be appealed within the shorter of forty-five (45) days or the time period during which such appeal is required to be brought under applicable law (provided that no Credit Extensions will be made prior to the satisfaction or stay of such judgment).

8.8 Misrepresentations.

If Borrower or any Person acting for Borrower makes any material misrepresentation or material misstatement now or later in any warranty or representation in this Agreement or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document.

9. RIGHTS AND REMEDIES

9.1 Rights and Remedies.

When an Event of Default occurs and continues Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in**Section 8.5** occurs, all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

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* CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

(c) settle or adjust disputes and claims directly with account debtors for amounts, on terms and in any order that Bank considers advisable and notify any Person owing Borrower money of Bank's security interest in such funds and collect and verify the amount of such account. Borrower shall collect all payments in trust for Bank and, if requested by Bank, immediately deliver the payments to Bank in the form received from the account debtor, with proper endorsements for deposit;

(d) make any payments and do any acts it considers necessary or reasonable to protect its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(e) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(f) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section, Borrower's rights under all licenses and all franchise agreements inure to Bank;

(g) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any control agreement or similar agreements providing control of any Collateral;

(h) require Borrower to provide cash collateral in the face amount of all undrawn Letters of Credit;

(i) terminate any FX Forward Contracts; and

(j) dispose of the Collateral according to the Code.

9.2 Power of Attorney.

Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, to be effective upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against account debtors, (c) settle and adjust disputes and claims about the Accounts directly with account debtors, for amounts and on terms Bank determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; and (e) transfer the Collateral into the name of Bank or a third party as the Code permits. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Bank is under no further obligation to make Credit Extensions hereunder. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 Intentionally Omitted.

9.4 Bank Expenses.

If Borrower fails to pay any amount or furnish any required proof of payment to third persons Bank may make all or part of the payment or obtain insurance policies required in Section 6.5. Any amounts paid by Bank as provided herein are Bank Expenses and are immediately due and payable and shall bear interest at the highest applicable default rate and be secured by the Collateral. No payments by Bank shall be deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.5 Bank's Liability for Collateral.

So long as Bank complies with reasonable banking practices regarding the safekeeping of Collateral, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 Remedies Cumulative.

Bank's rights and remedies under this Agreement, the other Loan Documents, and all other agreements among Borrower and Bank, are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in enforcing its rights is not a waiver, election, or acquiescence. No waiver hereunder by Bank shall be effective unless signed by Bank and then is only effective for the specific instance and purpose for which it was given.

9.7 Demand Waiver.

Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10. NOTICES

Notices or demands by either party about this Agreement must be in writing and personally delivered or sent by an overnight delivery service, or by certified mail, postage prepaid, return receipt requested, or by facsimile at the addresses and facsimile numbers listed below. For purposes of **Section 2.3**, Bank may send notice to Borrower by electronic mail at the email address set forth below (provided that a copy of such notice shall be mailed promptly thereafter to Borrower at the address set forth below). Failure to provide copies of notices to Borrower or Bank to the Persons named below to receive copies shall not invalidate the notice to Borrower or to Bank, as applicable. A party may change its notice address by written notice to the other party.

If to Borrower:	Equinix, Inc. 301 Velocity Way, 5th Floor Foster City, California 94404 Attn: Treasurer Fax: (650) 513-7913 Email:mmock@equinix.com
with a copy to:	Equinix, Inc. 301 Velocity Way, 5th Floor Foster City, California 94404 Attn: General Counsel Fax: (650) 513-7913
and to:	Orrick, Herrington & Sutcliffe LLP 405 Howard Street San Francisco, California 94105 Attn: Richard S. Grey, Esq. Fax: (415) 773-5759
If to Bank:	Silicon Valley Bank 3003 Tasman Drive Santa Clara, California 95054 Attn: Maria Leaf Fax: (650) 320-0016
with a copy to:	Bingham McCutchen LLP Three Embarcadero Center San Francisco, California 94111-4067 Attn: Pamela J. Martinson, Esq. Fax: (415) 393-2286

11. CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

California law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in California, and Borrower accepts jurisdiction of the courts and venue in Santa Clara County, California. NOTWITHSTANDING THE FOREGOING, BANK SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH BANK DEEMS NECESSARY

OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE BANK'S RIGHTS AGAINST BORROWER OR ITS PROPERTY.

BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12. GENERAL PROVISIONS

12.1 Successors and Assigns.

This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or Obligations under it without Bank's prior written consent which may be granted or withheld in Bank's sole discretion. Bank has the right, with the consent (not to be unreasonably withheld or delayed) of Borrower so long as no Default or Event of Default has occurred, to sell, assign or transfer all or any part of, or any interest in, Bank's obligations, rights and benefits under this Agreement, the Loan Documents or any other related agreement, provided that no consent shall be required for Bank to grant participations in all or any part of, or any interest in, Bank's obligations, rights and benefits under this Agreement so long as the sale of any such participation interests does not relieve Bank of its obligations hereunder or create any additional obligations of Borrower.

12.2 Indemnification.

Borrower hereby indemnifies, defends and holds Bank and its respective officers, employees, and agents harmless against: (a) all obligations, demands, claims, and liabilities asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses, or Bank's Expenses incurred, or paid by Bank from, following, or consequential to transactions between Bank and Borrower (including reasonable attorneys' fees and expenses), except to the extent any of the foregoing are caused by Bank's gross negligence or willful misconduct.

12.3 Attorneys' Fees, Costs and Expenses.

In any action or proceeding between Borrower and Bank arising out of the Loan Documents the prevailing party will be entitled to recover its reasonable attorneys' fees and other reasonable costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.4 Right of Set-Off.

Borrower hereby grants to Bank, a lien, security interest and right of set-off as security for all Obligations to Bank hereunder, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a Bank subsidiary) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may set-off the same or any part thereof and apply the same to any liability or obligation of Borrower and any guarantor even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.5 Time of Essence.

Time is of the essence for the payment and performance of all Obligations in this Agreement.

12.6 Severability of Provisions.

Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.7 Amendments in Writing, Integration.

All amendments to this Agreement must be in writing signed by both Bank and Borrower. This Agreement and the Loan Documents represent the entire agreement about this subject matter, and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.8 Counterparts.

This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

12.9 Survival.

All covenants, representations and warranties made in this Agreement continue in full force while any Obligations remain outstanding. The obligation of Borrower in **Section 12.2** to indemnify Bank shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.10 Confidentiality.

In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's subsidiaries or affiliates in connection with their business with Borrower; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Bank shall obtain such prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) as required in connection with Bank's examination or audit; and (e) as Bank considers appropriate in exercising remedies under this Agreement. Confidential information does not include information that either: (x) is in the public domain or in Bank's possession when disclosed to Bank (other than information that becomes part of the public domain by reason of Bank's breach of this **Section 12.10**), or becomes part of the public domain after disclosure to Bank; or (y) is disclosed to Bank by a third party, if, at the time of disclosure, Bank does not know that the third party is prohibited from disclosing the information.

12.11 Designation of Obligations as "Designated Senior Debt".

Borrower and Bank expressly agree that the Obligations constitute "Designated Senior Debt" for purposes of and as defined in that certain Indenture, dated as of February 11, 2004, between Borrower and U.S. Bank National Association, as Trustee, as amended, modified or supplemented from time to time.

13. DEFINITIONS

13.1 Definitions.

In this Agreement:

"***Accounts***" are all existing and later arising accounts, contract rights, and other obligations owed Borrower or Guarantor in connection with its sale or lease of goods (including licensing software and other technology) or provision of services, all credit insurance, guaranties, other security and all merchandise returned or reclaimed by Borrower or Guarantor and Borrower's Books relating to any of the foregoing, as such definition may be amended from time to time according to the Code.

"***Adjusted LIBOR***" means, for each Interest Period in respect of LIBOR Advances comprising part of the same Advances, an interest rate per annum (rounded upward to the nearest 1/16th of one percent (0.0625%)) equal to LIBOR for such Interest Period divided by one (1) minus the Reserve Requirement for such Interest Period.

"***Advance***" or "***Advances***" is a loan advance (or advances) under the Committed Revolving Line.

"***Affiliate***" of any Person is (a) any Person that owns or controls directly or indirectly such Person, (b) any Person that controls or is controlled by or is under common control with such Person, and (c) each of such Person's senior executive officers or directors, (d) for any Person that is a limited liability company, such Person's managers and members, and (e) for any Person that is a partnership, such Person's general partner.

"***Alternate Covenant Level***" has the meaning set forth in Section 6.7(a).

"***Applicable Margins***" means, collectively, the Applicable Revolver LIBOR Margin and the Applicable Term LIBOR Margin.

"***Applicable Revolver LIBOR Margin***" means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Advances, as determined by reference to **Section 2.4(b)** of the Agreement.

"***Applicable Term LIBOR Margin***" means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Advances, as determined by reference to **Section 2.4(b)** of the Agreement.

"***Bank Expenses***" are all audit fees and expenses and costs or expenses (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including appeals or Insolvency Proceedings).

"***Borrower's Books***" are all Borrower's and Guarantor's books and records including ledgers, records regarding Borrower's and Guarantor's assets or liabilities, the Collateral, business operations or financial condition and all computer programs or discs or any equipment containing the information.

"***Business Day***" is any day that is not a Saturday, Sunday or a day on which Bank is closed.

"***Cash Equivalents***" are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or its agency or any state maturing within one (1) year from its acquisition, (b) commercial paper maturing no more than one (1) year after its acquisition and having an A-1/P-1 or better rating from either Standard & Poor's Corporation or Moody's Investors Service, Inc., (c) Bank's certificates of deposit issued maturing no more than one (1) year after issue, (d) shares in money market funds rated Aaa/AAA, and (e) any other investments administered through Bank or its Affiliates.

"***Cash Management Services***" has the meaning ascribed to it in **Section 2.1.4**.

"***Cash Management Services Sublimit***" has the meaning ascribed to it in **Section 2.1.4**.

"***Change in Control***" is a transaction in which (a) any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "***Act***")), other than STT or its Affiliates, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of greater than 35% of the shares of all classes of stock then outstanding of a Person ordinarily entitled to vote in the election of the directors of such Person; or (b) STT, considered together with its Affiliates, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of greater than 50% of the shares of all classes of stock then outstanding of a Person ordinarily entitled to vote in the election of the directors of such Person.

"***Code***" is the Uniform Commercial Code as adopted in California as amended and in effect from time to time.

"***Collateral***" is the property described on Exhibit E attached hereto.

"***Collateral Information Certificates***" are the Collateral Information Certificates delivered by Borrower and Guarantor to Bank on or before the Effective Date.

"***Committed Revolving Line***" is an aggregate principal amount equal to $25,000,000.

"***Commodity Account***" has the meaning ascribed to it in the Code.

"***Contingent Obligation***" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under the guarantee or other support arrangement.

"***Continuation Date***" means any date on which Borrower elects to continue a LIBOR Advance into another Interest Period.

"***Control Agreement***" means, collectively, any control agreement entered into among Borrower, Bank and the depositary bank, securities intermediary, or commodity intermediary at which Borrower maintains a Deposit Account, Securities Account, or a Commodity Account, pursuant to which Bank obtains control (within the meaning of the applicable provision of the Code) over such Deposit Account, Securities Account, or Commodity Account.

"***Conversion Date***" means any date on which Borrower elects to convert a Prime Rate Advance to a LIBOR Advance or a LIBOR Advance to a Prime Rate Advance.

"***Copyright***" means any of the following now owned or hereafter acquired or created (as a work for hire for the benefit of Borrower) by Borrower or in which Borrower now holds or hereafter acquires or receives any right or interest, in whole or in part: (a) any copyright, whether registered or unregistered, held pursuant to the laws of the United States or of any other country or foreign jurisdiction, (b) registration, application or recording in the United States Copyright Office or in any similar office or agency of the United States or any other country or foreign jurisdiction, (c) any continuation, renewal or extension thereof, and (d) any registration to be issued in any pending application, and shall include any right or interest in and to work protectable by any of the foregoing which are presently or in the future owned, created or authorized (as a work for hire for the benefit of Borrower) or acquired by Borrower, in whole or in part.

"***Covenant Level 1***" means the period from the Effective Date until the date Borrower elects to comply with Covenant Level 2.

"***Covenant Level 2***" means the period beginning on the date Borrower elects to comply with Covenant Level 2 by giving notice thereof to Bank in writing, either by checking the appropriate space on the Compliance Certificate or otherwise, until termination of this Agreement.

"***Credit Extension***" is each Advance, Letter of Credit, FX Forward Contract, Cash Management Services, or any other extension of credit by Bank for Borrower's benefit.

"***Default***" means an event, condition, or act which with notice or the passage of time, or both, would constitute an Event of Default.

"***Deferred Revenue***" is all amounts received in advance of performance and not yet recognized as revenue.

"***Deposit Accounts***" means all present and future "deposit accounts" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all general and special bank accounts, demand accounts, checking accounts, savings accounts and certificates of deposit, whether maintained with Bank or other institutions.

"***Designated Deposit Account***" means that certain deposit account maintained with Bank in the name of Borrower, account number **[*]**.

"***Domestic Accounts***" means Accounts for which the account debtor has its principal place of business in the United States.

"***Domestic Collateral Account***" is any Deposit Account, Securities Account or Commodity Account established by Borrower or Guarantor at or with any bank or financial institution located in the United States.

"***Domestic Subsidiary***" means any direct or indirect Subsidiary of Borrower or Guarantor which is organized under the laws of the United States or any State thereof.

"***Effective Amount***" means with respect to any Advances on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowing and prepayments or repayments thereof occurring on such date.

"***Effective Date***" means the date that Bank signs this Agreement as indicated on the signature page hereof.

"***Eligible Domestic Accounts***" are Accounts in the ordinary course of Borrower's and Guarantor's business that meet all the representations and warranties in **Section 5.2**, and which

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* CONFIDENTIAL TREATMENT REQUESTED. CONFIDENTIAL PORTION HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

contain selling terms and conditions acceptable to Bank; provided, that Bank may change eligibility standards by giving Borrower and Guarantor notice thereof. Unless Bank agrees otherwise in writing, Eligible Domestic Accounts will not include:

(a) Accounts against which Bank does not have a perfected, first priority security interest;

(b) Accounts that the account debtor has not paid within 90 days of invoice date;

(c) Accounts for an account debtor, 35% or more of whose Accounts have not been paid within 90 days of invoice date;

(d) Accounts with credit balances over 90 days from invoice date;

(e) Accounts for an account debtor, including Affiliates, whose total obligations to Borrower and Guarantor exceed 40% of all Accounts, for the amounts that exceed that percentage, unless the Bank approves otherwise in writing;

(f) Accounts for which the account debtor does not have its principal place of business in the United States;

(g) Accounts for which the account debtor is a federal, state or local government entity or any department, agency, or instrumentality and against which Bank's security interest has not been perfected under the Assignment of Claims Act;

(h) Accounts for which Borrower or Guarantor owes the account debtor, but only up to the amount owed (sometimes called "contra" accounts, accounts payable, customer deposits or credit accounts);

(i) Accounts for demonstration or promotional equipment, or in which goods are consigned, sales guaranteed, sale or return, sale on approval, bill and hold, or other terms if account debtor's payment may be conditional;

(j) Accounts for which the account debtor is an Affiliate, officer, employee, or agent of Borrower or Guarantor;

(k) Accounts in which the account debtor disputes liability or makes any claim and Bank believes there may be a basis for dispute (but only up to the disputed or claimed amount), or if the Account Debtor is subject to an Insolvency Proceeding, or becomes insolvent, or goes out of business; or

(l) Accounts for which Bank reasonably determines collection to be doubtful, or the Account holder to be an unacceptable business risk.

"***Equipment***" is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Borrower has any interest.

"***Facility***" means any Internet Business Exchange™ (IBX) center owned or operated by the Borrower or any of its Subsidiaries.

"***Filing Collateral***" means any Collateral in which a security interest may be perfected by the filing of a financing statement in the appropriate jurisdiction under the Code.

"***First Installment Payment Date***" means the date that is ninety (90) days from the Term Loan Option Date.

"***Foreign Assets***" means (a) any tangible assets not located within the United States; (b) Accounts that are not Domestic Accounts; (c) any Deposit Account, Securities Account, Commodity Account or Letter of Credit Right if the jurisdiction (as determined pursuant to Section 9304, 9305 or 9306, as applicable, of the Code) of the related depositary bank, securities intermediary, commodity intermediary or issuer is outside the United States; (d) any equity securities issued by a Subsidiary of Borrower or Guarantor that is not a Domestic Subsidiary; and (e) any "instrument" (as defined in the Code) if the payor thereof does not have its principal place of business in the United States.

"***Funding Date***" is the date on which an Advance is made to or on account of Borrower.

"***FX Forward Contract***" has the meaning ascribed thereto in **Section 2.1.3**.

"***FX Reserve***" has the meaning ascribed thereto in **Section 2.1.3**.

"***GAAP***" is generally accepted accounting principles in effect under the laws of the United States of America from time to time.

"***General Intangibles***" has the meaning ascribed to it in the Code.

"***Governmental Authority***" means (a) any foreign, federal, state, county, or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, (c) any court or administrative tribunal or (d) with respect to any Person, any arbitration tribunal or other non-governmental authority to whose jurisdiction that Person has consented.

"***Guarantor***" means Equinix Operating Co., Inc., a Delaware corporation.

"***Indebtedness***" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations and (d) Contingent Obligations.

"***Insolvency Proceeding***" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“***Intellectual Property***” means any intellectual property, in any medium, of any kind or nature whatsoever, now or hereafter owned or acquired or received by Borrower or in which Borrower now holds or hereafter acquires or receives any right or interest, and shall include, in any event, any Copyright, Trademark, Patent, trade secret, customer list, Internet domain name (including any right related to the registration thereof), proprietary or confidential information, Mask Works, source, object or other programming code, invention (whether or not patented or patentable), technical information, procedure, design, knowledge, know how, software, data base, data, skill, expertise, recipe, experience, process, model, drawing, material or record, all claims for damages by way of past, present and future infringement of any of the rights included above and all licenses or other rights to use any property or rights of a type described above.

“***Interest Payment Date***” means, with respect to any LIBOR Advance, the last day of each Interest Period applicable to such LIBOR Advance and, with respect to Prime Rate Advances, the last day of each fiscal quarter, and each date a Prime Rate Advance is converted into a LIBOR Advance to the extent of the amount converted to a LIBOR Advance.

“***Interest Period***” means, as to any LIBOR Advance, the period commencing on the date of such LIBOR Advance, or on the conversion/continuation date on which the LIBOR Advance is converted into or continued as a LIBOR Advance, and ending on the date that is one (1), two (2), or three (3), months thereafter, in each case as Borrower may elect in the applicable Notice of Borrowing or Notice of Conversion/Continuation; *provided*, *however*, that (a) no Interest Period with respect to any LIBOR Advance being repaid during the Revolving Period shall end later than the Revolving Maturity Date unless such LIBOR Advance is selected to be repaid under the Term Loan Option, (b) no Interest Period with respect to any LIBOR Advance being repaid under the Term Loan Option shall end later than the Term Loan Maturity Date, (c) the last day of an Interest Period shall be determined in accordance with the practices of the LIBOR interbank market as from time to time in effect, (d) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless, in the case of a LIBOR Advance, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day, (e) any Interest Period pertaining to a LIBOR Advance that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period, and (f) interest shall accrue from and include the first Business Day of an Interest Period but exclude the last Business Day of such Interest Period.

“***Interest Rate Determination Date***” means each date for calculating the LIBOR for purposes of determining the interest rate in respect of an Interest Period. The Interest Rate Determination Date shall be the second Business Day prior to the first day of the related Interest Period for a LIBOR Advance.

“***Inventory***” is present and future inventory in which Borrower has any interest, including merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or later owned by or in the custody or possession, actual or constructive, of Borrower, including inventory temporarily out of its custody or possession or in transit and including returns on any accounts or other proceeds (including insurance proceeds) from the sale or disposition of any of the foregoing and any documents of title.

"***Investment***" is any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

"***Investment Property***" has the meaning ascribed to it in the Code.

"***Letter of Credit***" has the meaning ascribed to it in **Section 2.1.2**.

"***Letter of Credit Rights***" has the meaning ascribed to it in the Code.

"***LIBOR***" means, for any Interest Rate Determination Date with respect to an Interest Period for any Advance to be made, continued as or converted into a LIBOR Advance, the rate of interest per annum determined by Bank to be the per annum rate of interest at which deposits in United States Dollars are offered to Bank in the London interbank market in which Bank customarily participates at 11:00 a.m. (local time in such interbank market) two (2) Business Days prior to the first day of such Interest Period for a period approximately equal to such Interest Period and in an amount approximately equal to the amount of such Advance.

"***LIBOR Advance***" means an Advance that bears interest based on Adjusted LIBOR.

"***Lien***" is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"***Loan Documents***" are, collectively, this Agreement, the Collateral Information Certificates, any note executed by Borrower, the Guaranty and any other present or future agreement between Borrower or Guarantor and/or for the benefit of Bank in connection with this Agreement, all as amended, extended or restated.

"***Mask Works***" are all mask works or similar rights available for the protection of semiconductor chips, now owned or later acquired.

"***Material Adverse Change***" is: (a) a material impairment in the perfection or priority of Banks' security interest in the Collateral or in the value of such Collateral; or (b) a material adverse change in the business, operations, or financial condition of Borrower and Guarantor taken as a whole, which results in a material impairment of the prospect of repayment of any portion of the Obligations.

"***Non-Performing Facility***" means, as of any date of determination, a Facility with negative operating cash flow during the period consisting of the two immediately preceding quarters.

"***Notice of Borrowing***" means a notice given by Borrower to Bank in accordance with **Section 3.2(a)**, substantially in the form of Exhibit B, with appropriate insertions.

"***Notice of Conversion/Continuation***" means a notice given by Borrower to Bank in accordance with **Section 3.4**, substantially in the form of Exhibit C, with appropriate insertions.

"***Obligations***" are debts, principal, interest, Bank Expenses, and other amounts Borrower owes Bank now or later, including Cash Management Services, Letters of Credit and FX Forward Contracts, if any and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank.

"***Operating Documents***" shall mean, for any Person, such Person's formation documents, as currently filed with the Secretary of State of such Person's state of formation, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), each of the foregoing with all current modifications and amendments thereto.

"***Other Property***" means (a) the following as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and all rights relating thereto: all present and future "commercial tort claims", "documents", "instruments", "promissory notes", "chattel paper", "letters of credit", "letter-of-credit rights", "fixtures", "farm products" and "money"; and (b) all other goods and personal property of every kind, tangible and intangible, whether or not governed by the Code, but shall not include Intellectual Property.

"***Patent***" means any of the following now hereafter owned or acquired or received by Borrower or in which Borrower now holds or hereafter acquires or receives any right or interest: (a) letters patent and right corresponding thereto, of the United States or any other country or other foreign jurisdiction, any registration and recording thereof, and any application for letters patent, and rights corresponding thereto, of the United States or any other country or other foreign jurisdiction, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or other foreign jurisdiction; (b) any reissue, continuation, continuation-in-part or extension thereof; (c) any petty patent, divisional, and patent of addition; and (d) any patent to issue in any such application.

"***Permitted Distributions***" means:

(a) purchases of capital stock from former employees, consultants and directors pursuant to repurchase agreements or other similar agreements;

(b) distributions or dividends consisting solely of Borrower's capital stock;

(c) purchases for value of any rights distributed in connection with any stockholder rights plan;

(d) payments of dividends or distributions made by any Subsidiary of Borrower to Borrower or another Subsidiary of Borrower;

(e) mandatory dividends provided for under Borrower's Certificate of Incorporation as in existence as of the Effective Date;

(f) exchanges of equity securities of Borrower for other equity securities of Borrower that do not provide for any mandatory dividend or redemption prior to the Revolving Maturity Date; and

(g) other distributions, dividends or purchases of Borrower's capital stock in cash, provided that the aggregate amount of such distributions, dividends, or purchases made pursuant to this clause (g) not exceeding 25% of Borrower's assets.

"***Permitted Indebtedness***" is:

(a) Borrower's indebtedness to Bank under this Agreement or the other Loan Documents;

(b) Indebtedness existing on the Effective Date and shown on the Collateral Information Certificate;

(c) Subordinated Debt;

(d) Indebtedness to trade creditors incurred in the ordinary course of business;

(e) capitalized leases and purchase money Indebtedness secured by Permitted Liens not exceeding $65,000,000;

(f) Indebtedness secured by Permitted Liens;

(g) Indebtedness under any performance, surety, statutory or appeal bonds or similar obligations incurred in the ordinary course of business

(h) (i) Indebtedness of Borrower to any of its Subsidiaries to the extent it is Subordinated Debt; (ii) Indebtedness of any Subsidiary of Borrower to another Subsidiary of Borrower; and (iii) Indebtedness of any Subsidiary to Borrower to the extent permitted under clause (h) of the definition of Permitted Investments;

(i) guaranty obligations of Borrower or any Subsidiary in respect of Permitted Indebtedness of any wholly-owned Subsidiary of such Person;

(j) Indebtedness of any Persons acquired in connection with any merger or acquisition transaction permitted under this Agreement;

(k) Indebtedness incurred in connection with Rate Contracts;

(l) obligations resulting from the assumption of a real property lease or sublease to the extent such obligation is treated as a capital lease obligation for accounting purposes only;

(m) other Indebtedness not otherwise permitted by **Section 7.5** not exceeding $1,000,000 in the aggregate outstanding at any time; and

(n) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (j) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"***Permitted Investments***" are:

(a) Investments shown on the Collateral Information Certificate and existing on the Effective Date;

(b) Cash Equivalents;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(d) Investments accepted in connection with Transfers permitted by **Section 7.1**;

(e) Investments consisting of extensions of credit to Borrower's or its Subsidiaries' customers in the nature of accounts receivable, prepaid royalties or notes receivable arising from the sale or lease of goods, provision of services or licensing activities of Borrower;

(f) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's Board of Directors;

(g) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(h) (i) Investments of Subsidiaries of Borrower in or to Borrower; (ii) Investments of Subsidiaries of Borrower in or to other Subsidiaries of Borrower; and (iii) Investments of Borrower in or to Subsidiaries in an amount not to exceed $1,000,000 in any month and $12,000,000 in any fiscal year so long as no Event of Default exists or would result therefrom;

(i) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (i) shall not apply to Investments of Borrower in any Subsidiary;

(j) Investments resulting from transactions not prohibited by **Section 7.4** or Investments acquired in connection with such transactions;

(k) Investments consisting of joint ventures entered into by Borrower or any Subsidiary not exceeding $1,000,000 in the aggregate;

(l) deposits, prepayment and other credits to suppliers made in the ordinary course of business not in excess of $100,000; and

(m) Investments permitted by the investment policy adopted by Borrower's Board of Directors, a true and correct copy of which has been provided to Bank.

"***Permitted Liens***" are:

(a) Liens existing on the Effective Date and shown on the Collateral Information Certificate or arising under this Agreement or other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its Books, if they have no priority over any of Bank's security interests;

(c) Liens (including with respect to capital leases) on property (including accessions, additions, parts, replacements, fixtures, improvements and attachments thereto, and the proceeds thereof) acquired or held by Borrower or its Subsidiaries incurred for financing such property (including accessions, additions, parts, replacements, fixtures, improvements and attachments thereto, and the proceeds thereof), if the Lien is confined to such property (including accessions, additions, parts, replacements, fixtures, improvements and attachments thereto, and the proceeds thereof) and the Indebtedness is Permitted Indebtedness;

(d) Liens to secure existing Indebtedness of any Persons acquired in connection with any merger or acquisition transaction permitted under this Agreement;

(e) licenses or sublicenses granted in the ordinary course of Borrower's business and any interest or title of a licensor or under any license or sublicense, if the licenses and sublicenses permit granting Bank a security interest;

(f) Liens incurred in the extension, renewal or refinancing of the Indebtedness secured by Liens described in (a) through (d), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(g) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under **Section 8.3** or **8.6**;

(h) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceeding if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(i) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(j) deposits to secure the performance of bids, trade contracts (other than for borrowed money), contracts for the purchase of property, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case, incurred in the ordinary course of business and not representing an obligation for borrowed money;

(k) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which do not materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(l) statutory, common law or contractual Liens of depository institutions or institutions holding securities accounts (including rights of set-off) provided they are subordinate to Bank's Liens pursuant to the terms of a control agreement;

(m) Liens in favor of customs or revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(n) Liens on insurance proceeds in favor of insurance companies granted solely to secure financed insurance premiums;

(o) purported Liens evidenced by the precautionary filing of UCC financing statements relating solely to operating leases of personal property entered into in the ordinary course of business; and

(p) Liens on escrowed cash representing a portion of the proceeds of permitted sales of assets by Borrower or any Subsidiary established to satisfy contingent post-closing obligations that it owes (including earn-outs, indemnities and working capital adjustments).

"***Person***" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company association, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"***Prime Rate***" is Bank's most recently announced "prime rate," even if it is not the lowest rate offered by Bank.

"***Prime Rate Advance***" means an Advance that bears interest based on the Prime Rate.

"***Rate Contract***" means swap agreements (as that term is defined in Section 101 of the Federal Bankruptcy Reform Act of 1978, as amended) and any other agreements or arrangements designed to provide protection against fluctuations in interest or currency exchange rates.

"***Regulatory Change***" means, with respect to Bank, any change on or after the date of this Agreement in United States federal, state, or foreign laws or regulations, including Regulation D, or the adoption or making on or after such date of any interpretations, directives, or requests applying to a class of lenders including Bank, of or under any United States federal or state, or any foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"***Requirement of Law***" means, as to any Person, any law (statutory or common), treaty, rule, regulation, guideline or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its Property or to which the Person or any of its Property is subject.

"***Reserve Requirement***" means, for any Interest Period, the average maximum rate at which reserves (including any marginal, supplemental, or emergency reserves) are required to be maintained during such Interest Period under Regulation D against "Eurocurrency liabilities" (as such term is used in Regulation D) by member banks of the Federal Reserve System. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by Bank by reason of any Regulatory Change against (a) any category of liabilities which includes deposits by reference to which Adjusted LIBOR is to be determined as provided in the definition of LIBOR or (b) any category of extensions of credit or other assets which include Advances.

"***Responsible Officer***" is any of the Chief Executive Officer, President, Chief Financial Officer, Chief Accounting Officer, Controller, Vice President-Finance, or Treasurer of Borrower.

"***Revolving Maturity Date***" is December 6, 2006.

"***Revolving Period***" means the period from the Effective Date through, and including, the Revolving Maturity Date.

"***STT***" means iSTT Investments Pte Ltd, a corporation organized under the laws of the Republic of Singapore, as agent for the holders of certain convertible secured notes referred to in the definition of "STT Debt."

"***STT Debt***" means the Indebtedness of Borrower to certain holders of convertible secured notes due 2007 pursuant to the STT Purchase Agreement.

"***STT Purchase Agreement***" means that certain Securities Purchase Agreement dated as of October 2, 2002, by and among Borrower, the guarantors party thereto, and the purchases named therein, as amended, modified, supplemented or restated from time to time.

"***Securities Account***" has the meaning ascribed to it in the Code.

"***Subordinated Debt***" is debt incurred by Borrower subordinated to Borrower's debt to Bank (pursuant to a subordination agreement entered into among Bank, Borrower and the subordinated creditor), on terms reasonably acceptable to Bank.

"***Subsidiary***" is any Person, corporation, partnership, limited liability company, joint venture, or any other business entity of which more than fifty percent (50%) of the voting stock or other equity interests is owned or controlled, directly or indirectly, by the Person or one or more Affiliates of the Person.

"***Sublimit Utilization Amount***" means the sum of (a) all amounts for services utilized under the Cash Management Services Sublimit, (b) the amount of all outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit), and (c) the FX Reserve.

"***Term Loan Option***" means Borrower's option to have up to $10,000,000 of the then-outstanding principal amount of the Advances be repaid pursuant to the terms of **Section 2.5(b)**.

"***Term Loan Option Date***" is 364 days from the Effective Date.

"***Term Loan Maturity Date***" means the date that is twenty-four (24) months from the Term Loan Option Date.

"***Trademark***" means any of the following now or hereafter owned or acquired or received by Borrower or in which Borrower now holds or hereafter acquires or receives any right or interest: (a) any trademark, trade name, corporate name, business name, trade style, service mark, logo, other source or business identifier, print or label on which any of the foregoing have appeared or appear, design or other general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and any applications in connection therewith, including registration, recording and application in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or other foreign jurisdiction and (b) any reissue, extension or renewal of any of the foregoing.

"***Usage Period***" has the meaning ascribed to it in **Section 2.7(c)**.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

BORROWER	**EQUINIX, INC.**
	By: /s/ Peter Van Camp Name: Peter Van Camp Title: Chief Executive Officer
BANK	**SILICON VALLEY BANK**
	By: /s/ Amanda Peters Name: Amanda Peters Title: Vice President Effective Date: 12/6/04

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Exhibit 10.111

SUBLEASE

BETWEEN

EQUINIX, INC.,
a Delaware corporation

SUBLANDLORD

and

AT LAST SPORTSWEAR INC.
a New York corporation

and

SHARP EYE, INC.
a New Jersey corporation

collectively the
SUBTENANT

275 Hartz Way
Secaucus, New Jersey 07094

Dated: January 1, 2005

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SUBLEASE

This Sublease is entered into as of this 1st day of January, 2005, by and between EQUINIX, INC., a Delaware corporation, with offices at 301 Velocity Way, Foster City, California 94404 (hereinafter "Sublandlord") and At Last Sportswear Inc., a New York corporation, with offices at 275 Hartz Way, Secaucus, New Jersey 07094 and Sharp Eye, Inc., a New Jersey corporation, with offices at 275 Hartz Way, Secaucus, New Jersey 07094 (collectively the "Subtenant").

INTRODUCTORY STATEMENTS

A. By Lease dated July 24, 2000, as amended, (the "Prime Lease"), Secaucus TT, LLC, successor-in-interest to Burlington Realty Associates III Limited Partnership (the "Prime Landlord") leased to Sublandlord, 338,787 square feet of floor space in the building known as 275 Hartz Way, Secaucus, New Jersey (the "Building").

B. Subtenant has agreed to sublet from Sublandlord certain portions of the Building.

C. The parties desire to enter into this Sublease defining their respective rights, duties and liabilities relating to the Subleased Premises defined below.

NOW THEREFORE, Sublandlord and Subtenant, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and each with intent to be legally bound, for themselves and their respective successors and assigns, agree as follows:

1. SUBLEASE

Sublandlord, for and in consideration of the Subtenant's payment of the rent and performance of the covenants contained in this Sublease, does hereby demise and lease to Subtenant the following portions of the Building: the premises described as "Premises B" in the Prime Lease (as hereinafter defined) which contains approximately 154,887 rentable square feet of floor space, as shown and further described on the floor plan attached hereto as **Exhibit A** (the "Subleased Premises").

2. PRIME LEASE

A true and complete copy of the Prime Lease is attached hereto as**Exhibit B**. Where not expressly inconsistent with the terms hereof and except as otherwise stated herein to the contrary, this Sublease shall be subject and subordinate to all of the terms and conditions contained in the Prime Lease, except as otherwise set forth herein. Where not expressly inconsistent with the terms hereof or clearly applicable only to the original parties of the Prime Lease and except as otherwise stated herein to the contrary, all such terms and conditions are hereby incorporated into this Sublease and shall be binding upon Subtenant with respect to the Subleased Premises to the same extent as if Subtenant were named as the “Tenant” and Sublandlord as the “Landlord” under the Prime Lease. For purposes of this Sublease, references in the Prime Lease to the “Term” shall mean the Term of this Sublease and references to the “Premises” in the Prime Lease shall mean the Subleased Premises. Each party agrees that during the Term (as defined below) it shall not do or omit to do anything which would result in a default under the Prime Lease, and each party agrees to indemnify and hold the other and its officers, partners, employees and agents harmless from any claims, judgments, damages, fines, penalties, costs, liabilities (including sums paid in settlement of claims) or loss including attorney’s fees through the trial, appellate and administrative levels, consultants fees, and expert fees which arise during or after the Term in connection with its obligations under the Prime Lease, as incorporated herein; provided that the liability of the Subtenant under the foregoing indemnity shall only relate to Claims first arising after the Effective Date (as defined in Paragraph 5). With the exceptions set forth herein, Subtenant shall be entitled to all of the rights and privileges of the Sublandlord as tenant under the terms of the Prime Lease with respect to the Subleased Premises. The following provisions of the Prime Lease shall not be incorporated into this Sublease:

Lease Paragraphs 1d, 1e, 1f, 1g, 1k, 1m, 1p, 1q, 1r, 1t, 4, 5, 10, 49, 53, 54, 55, 56, and Exhibits B and C. Lease Addendum Paragraphs 1, 2, and 4.

Sublandlord shall not do or suffer or permit anything to be done or suffered which would cause the Prime Lease to be terminated or forfeited by virtue of any right of termination or forfeiture reserved or vested in the Prime Landlord thereunder, nor shall Sublandlord do or suffer or permit anything to be done or suffered which would cause the Sublandlord to be or become in default of any obligation under the Prime Lease.

Notwithstanding anything contained herein to the contrary, Sublandlord shall not agree to an amendment or modification of the Prime Lease which may have a material adverse effect on Subtenant’s business or Subtenant’s intended use or purpose for the Subleased Premises or which significantly increases any of Subtenant’s obligations under this Sublease in a material adverse way, unless Sublandlord shall first obtain Subtenant’s prior written approval thereof, which approval may be withheld solely in the exercise of Subtenant’s good faith and reasonable business judgment.

3. <u>DEFINITIONS</u>

All terms not expressly defined in this Sublease shall have the meanings given to them in the Prime Lease.

4. <u>PRIME LANDLORD</u>

Subtenant agrees to look solely to the Prime Landlord, and not to Sublandlord, for the performance of services and obligations which are the obligations of Prime Landlord under the Prime Lease with respect to the Subleased Premises. At Subtenant’s expense and request, Sublandlord will take any reasonable actions necessary to enable Subtenant to enforce the Sublandlord’s rights as tenant under the Prime Lease with respect to the Subleased Premises, including, without limitation, forwarding requests for the Prime Landlord’s (i) consent or approval, if necessary, for alterations, improvements and additions, and (ii) compliance with its obligations to effectuate repairs and provide maintenance for the Subleased Premises in accordance with the terms of the Prime Lease.

5. EFFECTIVE DATE

This Sublease shall be of no force and effect unless and until it is executed by both Sublandlord and Subtenant. The date upon which a fully executed copy of this Sublease is delivered to both Sublandlord and Subtenant is hereinafter referred to as the “Effective Date”.

6. TERM

The term of this Sublease (the “Term”) shall commence on January 1, 2005 and shall end at 11:59 p.m. on the second (2nd) anniversary of the Commencement Date (the “Expiration Date”). The Subtenant has no renewal or extension rights hereunder. Subtenant shall have no right to remain in the Subleased Premises after the Expiration Date.

7. RENT

(a) The Base Rent during the Term hereunder shall be payable in lawful money of the United States of America as follows: the sum of EIGHT HUNDRED THIRTEEN THOUSAND ONE HUNDRED FIFTY SIX AND 75/100 DOLLARS ($813,156.75) per annum, based upon the rate of $5.25 per square foot. The Base Rent shall be payable in advance on the first day of each calendar month during the Term in equal monthly installments, except that a proportionately lesser sum may be paid for the first and last months of the Term of this Sublease if the Commencement Date occurs on a date other than the first day of the month or ends on other than the last day of a month.

(b) In addition to the Base Rent reserved under Section 6(a) of this Sublease, Subtenant shall pay as additional rent, (i) Subtenant’s share of operating expenses (as set forth in Paragraph 9 herein), (ii) Subtenant’s pro-rata share of real estate taxes (as set forth in Paragraph 9 herein) and (iii) any other charges as shall become due and payable under this Sublease (collectively “Additional Rent”; the Base Rent and Additional Rent are herein collectively referred to as “Rent”).

(c) All Rent shall be payable at the office of the Sublandlord at the following address:

Equinix, Inc.
301 Velocity Way
Foster City, California 94404
Attention: Paul Silliman

or at such other address as directed by written notice from Sublandlord to Subtenant.

8. SUBTENANT FIT-UP

Subtenant agrees to accept the Sublease Premises in their "As-Is" condition as of the date hereof without improvement by Sublandlord. Subtenant shall arrange and perform the work in the Subleased Premises Space necessary to prepare the Subleased Premises for Subtenant's occupancy ("Subtenant's Work"). All Subtenant's Work shall be performed in accordance with the provisions of Paragraph 25 of the Prime Lease.

9. SUBTENANT'S CONTRIBUTIONS

(a) During the period Commencing on the Commencement Date through the first (1st) anniversary of the Commencement Date, Subtenant shall pay to Sublandlord in respect of any and all operating expense payments owing by Sublandlord under the Prime Lease applicable to the Subleased Premises an annual amount equal to THIRTY NINE THOUSAND SEVEN HUNDRED EIGHTY AND 00/100 ($39,780.00) DOLLARS. The Expense Amount shall be paid in equal monthly installments of THREE THOUSAND THREE HUNDRED FIFTEEN AND 00/100 ($3,315.00) DOLLARS on the first day of each and every month together with the monthly installments of Base Rent and shall be prorated for any partial month(s).

(b) During the period commencing on the first (1st) anniversary of the Commencement Date through the balance of the Term, Subtenant shall pay to Sublandlord, Subtenant's pro-rata share of all operating expenses payable by Sublandlord under the Prime Lease for the Subleased Premises. Subtenant's pro-rata share of operating expenses is 38.35%.

(c) During the Term Subtenant shall pay to Sublandlord, Subtenant's pro-rata share of all real estate taxes payable by Sublandlord under the Prime Lease for the Subleased Premises. Subtenant's pro-rata share of real estate taxes is 38.35%.

10. ALTERATIONS

Subtenant shall not make any alterations, improvements or installations in or to the Subleased Premises without the prior written consent of Sublandlord, which consent shall not be unreasonably withheld, provided, however, that the Prime Landlord provides its consent to such alterations, improvements or installations if such consent is required under the Prime Lease. All alterations and improvements shall be subject to the terms and conditions of the Prime Lease, and in those instances, if required, shall be subject to the Prime Landlord's approval as provided in the Prime Lease. Any Alterations permitted under this Sublease and the Prime Lease or which are consented to by the Prime Landlord shall be made by Subtenant or Subtenant's contractors at the sole cost and expense of Subtenant. At the expiration of the Term, Subtenant shall be required to surrender the Subleased Premises directly to the Prime Landlord in the condition required under the Prime Lease.

11. REPAIRS AND MAINTENANCE

Any repair and maintenance obligations with respect to the Subleased Premises which are the responsibility of the Sublandlord, as tenant under the Prime Lease, shall be performed by Subtenant at Subtenant's sole cost and expense. Subtenant agrees that it will notify Sublandlord promptly of the need for any repair to the Subleased Premises, even if Sublandlord is not be responsible for any such repair. Notwithstanding anything contained herein to the contrary, in the event that a condition exists in the Subleased Premises that Prime Landlord is obligated to repair under the terms of the Prime Lease, Subtenant shall so advise Sublandlord, and Sublandlord, in turn, shall promptly advise Prime Landlord thereof. Sublandlord shall have no liability to Subtenant for Prime Landlord’s failure to make any such repair.

12. UTILITIES AND SERVICES

Subtenant shall be entitled to all those services and utilities which Prime Landlord is required to provide under the terms of the Prime Lease. Subtenant shall look solely to the Prime Landlord for the provisions of such services and utilities, and Sublandlord shall not be responsible for Prime Landlord’s failure to provide the same unless such failure is caused by the negligent or willful acts or omissions of Sublandlord or its contractors or subcontractors or its or their agents or employees.

13. ASSIGNMENT AND SUBLEASING

Except as herein otherwise expressly provided, all of the terms, covenants, conditions and provisions of Paragraph 21 of the Prime Lease are hereby incorporated in, and made a part of this Sublease, and such rights and obligations as are contained in Paragraph 21 of the Prime Lease are hereby imposed upon the respective parties hereto; the Sublandlord herein being substituted for the Landlord named in the Prime Lease, and the Subtenant being substituted for the Tenant named in the Prime Lease. Subtenant shall not (a) assign this Sublease, nor (b) permit this Sublease to be assigned by operation of law or otherwise, nor (c) underlet all or any part of the Subleased Premises, nor (d) permit the Subleased Premises or any desk space contained therein to be occupied by any person(s) other than Subtenant, nor (e) pledge or encumber this Sublease, the term and estate hereby granted or the rentals hereunder, without first obtaining: (i) Prime Landlord’s prior written consent and all other required consents to same as set forth in and pursuant to the Prime Lease, and (ii) Sublandlord’s consent as set forth in and pursuant to the incorporated provisions of the Prime Lease.

14. INSURANCE

Subtenant agrees to comply with all of the insurance requirements and obligations of Sublandlord as set forth in the Prime Lease and to name both Sublandlord and Prime Landlord as additional insureds on any required insurance policies.

15. COMPLIANCE WITH LAWS

In addition to any obligations under the Prime Lease, Subtenant shall promptly comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State and municipal Governments and of any and all their Departments and Bureaus (collectively, “Legal Requirements”) applicable to its particular use and occupancy of the Subleased Premises by Subtenant or any subtenant or assignee of Subtenant; including, without limitation Legal Requirements for the correction, prevention and abatement of nuisances, violations or other grievances, in, upon or connected with the Subleased Premises during the Term and laws relating to environmental matters and the Americans with Disabilities Act (the “ADA”), and shall also promptly comply with, and execute all rules, orders and regulations of the Board of Fire Underwriters for the prevention of fires applicable to the Subleased Premises, at its own cost and expense. Notwithstanding anything herein to the contrary, Subtenant shall not be obligated to make any structural repairs, alterations or improvements to the Subleased Premises nor shall Subtenant be responsible for complying with any legal requirements relating to conditions existing prior to the Commencement Date.

16. SUBORDINATION

This Sublease shall be subject and subordinate to the Prime Lease, any ground lease and to any mortgage or deed of trust thereon or on the fee simple interest in the Building or the land on which the Building is located.

17. CASUALTY AND CONDEMNATION

If the Prime Lease is terminated with respect to the Subleased Premises pursuant to the provisions of the Prime Lease, this Sublease shall automatically terminate at the same time. If the Prime Lease is not terminated with respect to the Subleased Premises upon the occurrence of a casualty or condemnation, the provisions of the Prime Lease with respect to casualty or condemnation shall apply to this Sublease and the Subleased Premises.

18. CONSENT OR APPROVAL OF PRIME LANDLORD

If the consent or approval of Prime Landlord is required under the Prime Lease with respect to any matter relating to the Subleased Premises, Subtenant shall be required first to obtain the consent or approval of Sublandlord with respect thereto and, if Sublandlord grants such consent or approval, Sublandlord or Subtenant may forward a request for consent or approval to the Prime Landlord, but Sublandlord shall not be responsible for obtaining such consent or approval. Sublandlord shall have no liability to Subtenant for the failure of Prime Landlord to give its consent. Subtenant further acknowledges that its sole remedy with respect to any assertion that Sublandlord’s failure to consent to any matter relating to the Subleased Premises is unreasonable shall be the remedy of specific performance and Subtenant shall have no other claim or cause of action against Sublandlord as a result of Sublandlord’s actions in refusing to consent thereto. In the event Prime Landlord does not accept requests for consent directly from Subtenant, Sublandlord shall promptly deliver such requests to Prime Landlord on Subtenant’s behalf.

19. NOTICES

All notices given pursuant to the provisions of this Sublease shall be in writing, addressed to the party to whom notice is given and sent registered or certified mail, return receipt requested, in a postpaid envelope or by nationally recognized overnight delivery service as follows:

To Subtenant:

At Last Sportswear Inc.
275 Hartz Way
Secaucus, New Jersey 07094
Attention: Sanjay Israni

Sharp Eye, Inc.
275 Hartz Way
Secaucus, New Jersey 07094
Attention: Steve Sahni

To Sublandlord:
Equinix, Inc.
301 Velocity Way
Foster City, California 94404
Attention: Paul Silliman

All notices shall be deemed given upon receipt or rejection. Either party by notice to the other may change or add persons and places where notices are to be sent or delivered. In no event shall notice have to be sent on behalf of either party to more than three persons.

It is understood and agreed that unless specifically modified by this Sublease, Sublandlord shall be entitled to the length of notice required to be given Prime Landlord under the Prime Lease plus five (5) days and shall be entitled to give Subtenant the amount of notice required to be given tenant under the Prime Lease less five (5) days.

20. BROKERS

The parties warrant that they have had no dealings with any real estate broker or agent in connection with this Sublease. Each party covenants to pay, hold harmless and indemnify the other from and any all costs, expenses or liabilities for any compensation, commissions and charges claimed by any other broker or agent with respect to this Sublease or the negotiation thereof, based upon alleged dealings with the indemnifying party. The provisions of this Paragraph 20 shall survive the expiration or termination of this Sublease.

21. SUBLANDLORD'S AND SUBTENANT'S POWER TO EXECUTE

Sublandlord and Subtenant covenant, warrant and represent that they have full power and proper authority to execute this Sublease.

22. TABLE OF CONTENTS - CAPTIONS

The Table of Contents and the captions appearing in this Sublease are inserted only as a matter of convenience and do not define, limit, construe or describe the scope or intent of the sections of this Sublease or in any way affect this Sublease.

23. CONSENT TO SUBLEASE BY PRIME LANDLORD

This Sublease shall not become operative until and unless the Prime Landlord has given to Sublandlord its consent hereto. Sublandlord will immediately following the Effective Date submit to Prime Landlord a request for consent to this Sublease. Sublandlord shall diligently pursue such request for consent including providing any documentation required by the Prime Landlord to process such request for consent. Sublandlord shall not be responsible for Prime Landlord's failure to consent to this Sublease. Should Prime Landlord not consent to this Sublease within sixty (60) days of the Effective Date, Sublandlord and Subtenant shall each have the right to terminate this Sublease upon ten (10) days written notice of such termination to the other party. If Prime Landlord declines to consent to this Sublease, each party shall be released from all obligations with respect hereto and neither party shall have any further rights in law or in equity with respect to this Sublease.

24. ENTIRE AGREEMENT

This Sublease (which includes each of the Exhibits attached hereto) contains the entire agreement between the parties and all prior negotiations and agreements are merged into this Sublease. This Sublease may not be changed, modified, terminated or discharged, in whole or in part, nor any of its provisions waived except by a written instrument which (a) shall expressly refer to this Sublease and (b) shall be executed by the party against whom enforcement of the change, modification, termination, discharge or waiver shall be sought.

25. SECURITY DEPOSIT

(a) Subtenant shall deposit with Sublandlord the sum of ONE HUNDRED THIRTY FIVE THOUSAND FIVE HUNDRED TWENTY SIX AND 00/100 DOLLARS ($135,526.00) (the "Security Deposit") as security for the full and faithful performance of every portion of this Sublease to be performed by Subtenant. If Subtenant defaults with respect to any provision of this Sublease, Sublandlord may use, apply or retain all or any portion of the Security Deposit to remedy such default. If any portion of said Security Deposit is so used or applied, Subtenant shall, within ten (10) days after demand therefor, deposit cash with Sublandlord in an amount sufficient to restore the Security Deposit to its original amount, and Subtenant's failure to do so shall be a material breach of this Sublease. Sublandlord shall not be required to keep this Security Deposit separate from its general funds, and Subtenant shall not be entitled to interest on such deposit. If Subtenant shall fully and faithfully perform every provision of this Sublease to be performed by it, the Security Deposit or any balance thereof shall be returned to Subtenant within thirty (30) days of termination of the Term.

(b) In lieu of cash, Subtenant may deliver to Landlord an unconditional, irrevocable letter of credit ("L/C") issued by a "Bank" (as defined below) in a form acceptable to Sublandlord. Such L/C shall contain the following provisions: “This credit shall be automatically extended without amendment for additional periods of one (1) year from the present or any future expiration date hereof, unless we inform you (To the Attention of: Renee Lanam) in writing by certified mail dispatched by us at least thirty (30) days prior to the present or any future expiration date that we elect not to extend it.” Whenever a valid L/C is not in Sublandlord’s possession, Subtenant agrees to have cash Security deposited with Landlord as otherwise required pursuant to this Paragraph 25. In the event of a sublease of the Building subject to this Sublease, Sublandlord shall have the right to transfer the security to the vendee or lessee with charge to Sublandlord and the Letter of Credit shall provide an automatic procedure for such transfer. For purposes of this Paragraph 25, a “Bank” is defined as a bank or trust company having a principal office in the State of New Jersey, having undivided capital and surplus of at least $100,000,000.00.

26. <u>HOLD OVER</u>

As a courtesy, Sublandlord shall endeavor to provide Subtenant with three (3) months written notice of the Expiration Date of this Sublease prior to the date thereof. However, failure by Sublandlord to provide such courtesy notice to Subtenant shall in no way be construed as an extension of the Term of this Sublease. If Subtenant shall hold-over after the end of the Term, such holding over shall be construed as a tenancy from month-to-month, subject to all of the provisions, conditions and obligations of this Sublease.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Sublease to be properly executed as of the day and year first above written.

ATTEST:	**SUBLANDLORD**
	EQUINIX, INC.
/s/ J. HAAG	By: /s/ RENEE F. LANAM
	Name: Renee Lanam Its: Chief Financial Officer
ATTEST:	**SUBTENANT**
	AT LAST SPORTSWEAR INC.
/s/ NANCY TRINKLE	By: /s/ SANJAY ISRANI
	Name: Sanjay Israni Its: Treasurer
	SHARP EYE, INC.
/s/ NANCY TRINKLE	By: /s/ SANJIN STEVEN SAHNI
	Name: Sanjin Steven Sahni Its: Secretary

January 10, 2005

<u>CONFIDENTIAL</u>

VIA FACSIMILE AND OVERNIGHT DELIVERY

Board of Directors

i-STT Investments Pte Ltd
51 Cuppage Road
#10-11/17
Starhub Centre
Singapore 229469

Dear Jean,

Re: A-1 Note Conversion

This letter memorializes the agreement between i-STT Investments Pte Ltd ("i-STT) and Equinix, Inc. ("Equinix" or the "Company") regarding the conversion of 95% of the Company's A-1 Notes held by i-STT into shares of the Company's Series A-1 Preferred Stock. All capitalized terms not otherwise defined in this letter agreement shall have the meanings ascribed to them in that certain Securities Purchase Agreement dated October 2, 2002, among the Company and i-STT (the "Purchase Agreement").

Equinix hereby elects to effect an Optional Conversion of 95% of the A-1 Notes and PIK Notes paid through November 1, 2004, plus 95% of the accrued and unpaid PIK Notes that would have been due had the A-1 Notes remained outstanding through February 14, 2005 (collectively, the "Converted Notes"). The shares issuable upon conversion of Converted Notes are calculated as follows:

95% of A-1 Notes, including 95% of PIK Notes paid through November 1, 2004 :	$	36,543,032.69
95% of accrued and unpaid interest November 1, 2004 through February 14, 2005:	$	1,492,173.84
Conversion price:	$	9.1779
Series A-1 Preferred Stock issuable January 1, 2005:		4,144,216

By executing this letter agreement in the space designated below, i-STT hereby agrees that, as of 12:01 a.m. Pacific Time on January 1, 2005 (the "Settlement Date"), the Converted Notes shall be converted into a total of 4,144,216 Series A-1 Preferred Stock. Equinix undertakes to take any and all measures to effect the subsequent conversion of any or all of the 4,144,216 Series A-1 Preferred Stock into 4,144,216 Common Stock, as may be required from time to time by i-STT, following i-STT's exercise of such conversion right(s) pursuant to Equinix's Certificate of Designation dated 30 December 2002.

If you have any questions concerning this matter, please contact me at (650) 513-7057.

Very truly yours,

/s/ RENEE F. LANAM

Renee F. Lanam

cc: General Counsel, STT Communications Ltd
Brandi Galvin
Brett Pletcher

ACKNOWLEDGED AND AGREED:

i-STT Investments Pte. Ltd.

By: /s/ JEAN MANDEVILLE

Title: Jean Mandeville, Director

Date: 11 January 2005

Exhibit 10.113

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "***Amendment***") is made and entered into as of January 18, 2005, by and between **EDEN VENTURES LLC**, a Delaware limited liability company ("***Landlord***"), and **EQUINIX, INC.**, a Delaware corporation ("***Tenant***").

RECITALS

A. Landlord and Tenant entered into that certain Deed of Lease dated as of April 21, 2004 (the "***Lease***"), for the lease of a data center facility known as Building 1, Ashburn Business Park located at 44470 Chilum Place, Ashburn, Virginia, as more particularly described in the Lease.

B. Landlord, and Tenant desire to amend certain provisions of the Lease.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant, intending to be legally bound, hereby covenant and agree as follows:

1. Recitals. The foregoing recitals are hereby incorporated into this Amendment by reference, as if fully set forth in this first paragraph.

2. Floor Plan of Premises. Exhibit A-1 to the Lease is hereby deleted in its entirety and replaced by Exhibit A-1 attached to this Amendment.

3. Connector Work. Exhibit A-2 to the Lease is hereby deleted in its entirety and replaced by Exhibit A-2 attached to this Amendment.

4. Equipment List. Exhibit A-5 to the Lease is hereby deleted in its entirety and replaced with Exhibit A-5 attached hereto.

5. Landlord's Work. Exhibit C to the Lease shall be Exhibit C attached to this Amendment.

6. Premises. The second sentence of Section 1.3 of the Lease is hereby deleted in its entirety and replaced with the following:

> "Notwithstanding the foregoing, Landlord represents and warrants (i) the Premises comply with all local, state and federal building codes, statutes, rules or regulations, including, without limitation, the Americans With Disabilities Act ("***ADA***") and all applicable life safety requirements, (ii) all mechanical and electrical systems for the Premises, including, without limitation, all power distribution systems, emergency generators and accompanying fuel delivery systems, HVAC systems (including airside, waterside, controls and automation elements thereof), building alarm and security management systems, life safety and fire suppression systems, and lighting systems, are in good operating condition, except for such

deficiencies as would not be discovered by the level of testing performed by Landlord, and (iii) all underground storage tanks located on the Land are, as of the date hereof, free of leaks and there have never been any leaks in such tanks during the period of Landlord's ownership of the Land."

7. Security Deposit.

(a) Section 5.1(a) of the Lease is hereby deleted in its entirety and replaced with the following:

"(a) Tenant has delivered to Landlord an unconditional, irrevocable letter of credit in the amount of Two Million Dollars ($2,000,000), and such letter of credit provides that, at least thirty (30) days prior to the then-current expiration date of such letter of credit, such letter of credit shall be either (1) renewed (or automatically and unconditionally extended) from time to time through the ninetieth (90th) day after the expiration of the Lease Term, or (2) replaced with cash in the same amount. Notwithstanding anything in this Lease to the contrary, any cure or grace periods set forth in this Lease shall not apply to any of the foregoing, and, specifically, if Tenant fails to timely comply with the above requirements, then Landlord shall have the right to immediately draw upon the letter of credit without notice to Tenant. Each letter of credit shall be issued by a commercial bank that has a credit rating with respect to certificates of deposit, short term deposits or commercial paper of at least P-2 (or equivalent) by Moody's Investor Services, Inc., or at least A-2 (or equivalent) by Standard & Poor's Corporation, and shall be otherwise acceptable to Landlord in its reasonable discretion. If the issuer's credit rating is reduced below P-2 (or equivalent) by Moody's Investors Service, Inc. or below A-2 (or equivalent) by Standard & Poor's Corporation, then Landlord shall have the right to require that Tenant obtain from a different issuer a substitute letter of credit that complies in all respects with the requirements of this Section, and Tenant's failure to obtain such substitute letter of credit within fifteen (15) business days following Landlord's written demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to the contrary) shall entitle Landlord to immediately draw upon the then existing letter of credit in whole or in part, without notice to Tenant. In the event the issuer of any letter of credit held by Landlord is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation or any successor or similar entity, then, effective as of the date such receivership or conservatorship occurs, said letter of credit shall be deemed to not meet the requirements of this Section, and, within fifteen (15) business days thereof, Tenant shall replace such letter of credit with cash or a letter of credit conforming to the requirements of this Section 5.1 (and Tenant's failure to do so shall, notwithstanding anything in this Lease to the contrary, constitute an Event of Default for which there shall be no notice or grace or cure periods being applicable thereto other than the aforesaid fifteen (15) business day period). Any failure or refusal of the issuer to honor the Letter of Credit shall be at Tenant's sole risk and shall not relieve Tenant of its obligations hereunder with respect to the security deposit. Notwithstanding the foregoing provisions of this Section 5.1, so long as Silicon Valley Bank maintains a credit rating by Standard & Poor's Corporation of at least BBB, Silicon Valley Bank shall be an approved issuer of any letter of credit issued pursuant to this Section 5.1. If Silicon Valley Bank's credit rating is at anytime reduced below BBB by Standard & Poor's Corporation, then Landlord shall have the right to require that Tenant obtain from a different issuer a substitute letter of credit that complies in all respects with the requirements of this Section 5.1, and Tenant's failure to obtain such substitute letter of credit within fifteen (15) business days following Landlord's written demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to the contrary) shall entitle Landlord to immediately draw upon the then existing letter of credit in whole or in part, without notice to Tenant. Any substitute letter of credit provided in accordance with this Section 5.1 shall be (a) in form and substance satisfactory to Landlord in its sole discretion (Landlord hereby approving the form letter of credit attached hereto as **Exhibit D**); (b) at all times in the amount of the cash security deposit it replaces, and shall permit multiple draws; (c) issued by a commercial bank reasonably acceptable to Landlord from time to time with an office in the Washington, D.C. metropolitan area; (d) made payable to, and expressly transferable and assignable at no charge by, the owner from time to time of the Building or, at Landlord's option, the holder of any mortgage (which transfer/assignment shall be conditioned only upon the execution of a written document in connection therewith); (e) payable at sight upon presentment to a local branch of the issuer of a simple sight draft or certificate stating that Tenant is in default under this Lease and the amount that Landlord is owed in connection therewith; (f) of a term not less than one year; and (g) at least thirty (30) days prior to the then-current expiration date of such letter of credit, either (1) renewed (or automatically and unconditionally extended) from time to time through the ninetieth (90^{th}) day after the expiration of the Lease Term, or (2) replaced with cash in the same amount. "

8. Alterations. Tenant hereby acknowledges and agrees that the Connector Work and the Landlord's Work described in Section 9.1 of the Lease have been performed in a satisfactory and acceptable manner in all respects. In that connection, Landlord hereby agrees to provide to Tenant a credit towards additional rent/operating expense charges in the amount of $80,000 to be used by Tenant for amounts due in March 2005.

9. General Contractors. With respect to any Improvements undertaken by Tenant pursuant to Section 9.2 of the Lease, Landlord agrees to allow Tenant to use Turner Construction or to consider use by Tenant of an unbonded general contractor subject to Landlord's approval, in its sole discretion, of any such general contractor taking into account such contractor's reputation in the industry, such contractor's creditworthiness and such other matters as Landlord shall determine.

10. Fiber Conduits. Section 11.2 of the Lease is hereby deleted in its entirety and replaced with the following:

"(a) Landlord and Tenant acknowledge that the Project currently is served by a fiber duct bank containing twenty-four (24) conduits. Landlord shall grant to Tenant, on Landlord's standard form (attached hereto as **Exhibit E**) but for no additional charge, an exclusive license coterminous with the Lease Term to use, at Tenant's sole cost and expense, eight (8) of the twenty-four (24) existing conduits in the fiber loop serving Ashburn Business Park extending from MH-T1 through and including MH-T15 with two (2) connections to the Building, all as shown on **Exhibit A-3** attached hereto, (the "***Tenant's Licensed Conduits***") for any lawful telecommunications purpose, including, without limitation, for purposes of pulling dark fiber through the Tenant's Licensed Conduits and using such fiber in connection with Tenant's business operations within the Premises. Such license shall include the right to use existing fiber within the Tenant's Licensed Conduits subject to the rights of fiber carriers. Landlord reserves the right at all times during the Term to access and splice into, within any manhole, all unused fiber brought in by carriers and service providers (but not Tenant's infrastructure) within the Tenant's Licensed Conduits. Tenant shall deliver to Landlord as built drawings using Autocad showing all carrier telecommunication, fiber and copper wire and cables within the Tenant's Licensed Conduits together with a list of all carriers within thirty (30) days of the Lease Commencement Date and thereafter within fifteen (15) days of the addition of such wiring or cable. Tenant shall be responsible for obtaining and maintaining all approvals, permits and licenses required by any federal, state or local government for installation and operation of the Tenant's Licensed Conduits and for paying all fees attendant thereto and for complying with all other Legal Requirements relating to the Tenant's Licensed Conduits. Tenant shall have sole responsibility for the maintenance, repair and replacement of the Tenant's Licensed Conduits and of all servicing ancillary thereto. Subject to Landlord's reasonable rules and regulations, Tenant shall have access to all telecommunications vaults, manholes and underground facilities on the Land or any other adjoining property owned by Landlord or its affiliates for the purpose of servicing any of Tenant's cables or equipment in or adjacent to the Tenant's Licensed Conduits and of splicing into unused fiber brought in by carriers and service providers (but not Landlord's infrastructure) within the conduits other than the Tenant's Licensed Conduits. Notwithstanding the above and in connection with Tenant's access to, servicing, or splicing of Tenant's cables or equipment in or adjacent to the telecommunications vaults, manholes and underground facilities within or servicing the Tenant's Licensed Conduit, Tenant is required to contact Jim Hathaway or Jeff Monroe at (703)-932-

8264 to open a service request and to complete all of the following: (i) Tenant shall request permission to access the Tenant's Licensed Conduits, which approval shall not be unreasonably withheld or delayed. (ii) Tenant shall submit for Landlord's approval, which approval shall not be unreasonably withheld or delayed, complete drawings and construction details in CADD format for the work to be performed, and (iii) Tenant shall coordinate with Landlord concerning any penetrations of any of Landlord's equipment or manhole facilities and concerning any potential interference with Landlord's conduit or equipment. Upon completion of Tenant's work, Tenant shall deliver to Landlord as-built drawings using Autocad showing all carrier telecommunication, fiber and copper wire and cables within the Tenant's Licensed Conduits together with a list of all carriers within thirty (30) days of the addition of such wiring or cabling.

(b) The parties acknowledge that Tenant, as grantee, and TrizecHahn Regional Pooling LLC, as grantor, have entered into that certain Deed of Easement dated October 15, 2004 under the terms of which Tenant has been granted an easement ("***Tenant's Offsite Easement***") for the installation and use of a fiber conduit ("***Tenant's Offsite Conduit***") from the property line of the Land, over and across the adjoining business park to an offsite facility occupied by Tenant. Subject to the terms of this Section 11.2 and Article IX hereof, Tenant has installed a fiber duct bank (the "***Connector Duct Bank***") transversing the Land generally in the location identified as "Equinix Conduit Facility" on **Exhibit A-3.1** hereto which Connector Duct Bank connects at the property line of the Land to Tenant's Offsite Conduit, and Tenant shall be granted a license coterminous with the Lease Term to use the Connector Duct Bank, subject however to the reservation in Landlord of the exclusive right to use three (3) conduits in the Connector Duct Bank ("***Landlord's Reserved Conduits***") for all lawful purposes. In connection with the construction and installation of the Connector Duct Bank, (i) Tenant shall submit for Landlord's approval, which approval shall not be unreasonably withheld or delayed, complete drawings and construction details in CADD format for the construction of the Connector Duct Bank and an ALTA boundary survey, or other survey reasonably acceptable to Landlord, of the Land showing the location of the proposed Connector Duct Bank, and (ii) Tenant shall coordinate with Landlord concerning any penetration of the exterior façade of the Building and concerning any potential interference with other Building utilities. In no event shall the Connector Duct Bank exceed 24 inches in width. Moreover, Tenant shall grant to Landlord, for no charge, the exclusive right to use, at Landlord's sole cost and expense, three (3) conduits in Tenant's Offsite Conduit for the term of Tenant's Offsite Easement ("***Landlord's Offsite Conduits***") for all uses permitted under the Tenant's Offsite Easement. Landlord's Reserved Conduits and Landlord's Offsite Conduits shall be identified as Conduits 12-14 and will generate in Tenant's Manhole #EQ-1 and terminate in Landlord's Manhole #MH-T9 as identified on **Exhibit A-3.1**. Landlord shall be responsible for obtaining and maintaining all approvals, permits and licenses required by any federal, state or local government for installation and operation of Landlord's Reserved Conduits and Landlord's Offsite Conduits and for paying all fees attendant thereto and for complying with all other Legal Requirements relating to Landlord Reserved Conduits and Landlord's Offsite Conduits. Landlord shall have sole responsibility for the maintenance and repair of Landlord's Reserved Conduits and Landlord's Offsite Conduits and of all servicing ancillary thereto. Subject to Tenant's reasonable rules and regulations and the terms of Tenant's Offsite Easement, as applicable, Landlord shall have access to all telecommunications vaults, manholes and underground facilities within the Connector Duct Bank and Tenant's Offsite Conduit for the purpose of servicing any of Landlord's cables or equipment in or adjacent to the Landlord's Reserved Conduits and Landlord's Offsite Conduits and of splicing into unused fiber brought in by carriers and service providers (but not Tenant's infrastructure) within the Connector Duct Bank and Tenant's Offsite Conduit. Notwithstanding the above and in connection with Landlord's access to, servicing, or splicing of Landlord's cables or equipment in or adjacent to the telecommunications vaults, manholes and underground facilities within or servicing the Connector Duct Bank and Tenant's Offsite Conduit, Landlord is required to contact Tenant's Response Center (ERC) at (888)-892-0607 to open a Service Request and to complete all of the following: (i) Landlord shall request permission to access the Connector Duct Bank and Tenant's Offsite Conduit facilities, which approval shall not be unreasonably withheld or delayed. (ii) Landlord shall submit for Tenant's approval, which approval shall not be unreasonably withheld or delayed, complete drawings and construction details in CADD format for the work to be performed, and (iii) Landlord shall coordinate with Tenant concerning any penetrations of any of Tenant's equipment or manhole facilities and concerning any potential interference with Tenant's conduit or equipment. Upon completion of Landlord's work, Landlord shall deliver to Tenant as-built drawings using Autocad showing all carrier telecommunication, fiber and copper wire and cables within the Landlord's Reserved Conduits and Landlord's Offsite Conduits together with a list of all carriers within thirty (30) days of the addition of such wiring or cabling.

(c) In addition to Tenant's Offsite Easement, Tenant may pursue obtaining another diverse easement ('***Tenant's Offsite Easement II***") from the adjoining landowner for the installation of an additional fiber duct bank ("***Tenant's Offsite Conduit II***") in a different location and running to the property line of the Land. In the event Tenant obtains Tenant's Offsite Easement II and installs Tenant's Offsite Conduit II, subject to Landlord's consent as to location and the terms of this Section 9.2 and Article IX hereof, Tenant shall have the right to install an additional fiber duct bank (the "***Connector Duct Bank II***") on the Land originating at the point Tenant's Offsite Conduit II meets the property line of the Land, transversing the Land and connecting to the Building, and Tenant shall be granted a license coterminous with the Lease Term to use the Connector Duct Bank II, subject however to the reservation in Landlord of the exclusive right to use three (3) conduits in the Connector Duct Bank II ("***Landlord's Reserved Conduits II***"). Landlord and Tenant agree to share, on a pro rata basis (Landlord to pay for 3 of the 14 conduits, or 21%) of the installation cost of the Connector Duct Bank II. In connection with the construction of the Connector Duct Bank II, (i) the location of the Connector Duct Bank II shall be subject to Landlord's prior written consent, and shall follow a path so as to minimize cost of construction (ii) Tenant shall submit for Landlord's approval, which approval shall not be unreasonably withheld or delayed, complete drawings and construction details in CADD format for the construction of the Connector Duct Bank II and an ALTA boundary survey, or other survey reasonably acceptable to Landlord, of the Land showing the location of the proposed Connector Duct Bank II, and (iii) Tenant shall coordinate with Landlord concerning any penetration of the exterior façade of the Building and concerning any potential interference with other Building utilities. In no event shall the Connector Duct Bank II exceed 24 inches in width. Moreover, Tenant shall grant to Landlord, for no charge, the exclusive right to use, at Landlord's sole cost and expense, three (3) conduits in the Tenant's Offsite Conduit II ("***Landlord's Offsite Conduits II***") for all purposes permitted under Tenant's Offsite Easement II. Landlord shall be responsible for obtaining and maintaining all approvals, permits and licenses required by any federal, state or local government for installation and operation of Landlord's Reserved Conduits II and Landlord's Offsite Conduits II and for paying all fees attendant thereto and for complying with all other Legal Requirements relating to Landlord's Offsite Conduits II. Landlord shall have sole responsibility for the maintenance and repair of Landlord's Reserved Conduits II and Landlord's Offsite Conduits II and of all servicing ancillary thereto. Subject to Tenant's reasonable rules and regulations and the terms of Tenant's Offsite Easement II, as applicable, Landlord shall have access to all telecommunications vaults, manholes and underground facilities within the Connector Duct Bank II and Tenant's Offsite Conduit II for the purpose of servicing any of Landlord's cables or equipment in or adjacent to Landlord's Reserved Conduits II and Landlord's Offsite Conduits II and of splicing into unused fiber brought in by carriers and service providers (but not Tenant's infrastructure) within the Connector Duct Bank II and Tenant's Offsite Conduit II. All of Landlord's access to and work related to the Connector Duct Bank II and Tenant's Offsite Conduit II shall be performed in accordance with the procedures outlined in (b) above.

(d) All repairs to the Property made necessary by reason of the furnishing, installation, maintenance, or operation of the Licensed Conduits, Connector Duct Bank and Connector Duct Bank II or any replacements thereof shall be at Tenant's sole cost. Upon the expiration or earlier termination of this Lease, subject to the rights of the affected carrier or provider, the fiber in the Licensed Conduits, Connector Duct Bank and Connector Duct Bank II shall become the property of Landlord and Tenant hereby assigns all right, title, and interest of Tenant therein to Landlord. Tenant's use of the Licensed Conduits, Connector Duct Bank and Connector Duct Bank II shall not interfere with the structure of the Building, any of the building systems, or the equipment or property (including airwaves reception and other equipment) of any other tenant in the Building or any third party providing services to the Building. Except for such as arise from Landlord's gross negligence or willful misconduct or as provided in Section 11.4 below, Landlord shall have no liability on account of any damage to or interference with the operation of the Licensed Conduits, Connector Duct Bank, and Connector Duct Bank II by any third party. Each party shall defend, indemnify and hold harmless the other, and its affiliates and agents, from and against any loss, cost, damage or expense (including reasonable attorneys' fees) incurred by such party arising out of or as a result of the other's exercise of any easements, licenses and rights under this Section 11.2 or the breach of the provisions of this Section 11.2."

11. Power Conduits. Section 11.3 of the Lease is hereby deleted in its entirety and replaced with the following:

"Landlord and Tenant acknowledge that utility power is currently provided to the Project through two stacked conduits originating from the switchgear located on the Land ("***Power Conduits***"). In order that Tenant be able to contract directly with the electrical provider, the existing switchgear will be separated into two independent switchgears, Switchgear A and Switchgear B, by means of a tie breaker AB (tie circuit breaker AB racked out and padlocked), with Switchgear B including tie circuit breaker BC being dedicated solely to providing utility power to the Building. Landlord shall grant to Tenant, on Landlord's standard form but for no additional charge, an exclusive license coterminous with the Term of this Lease to use, at Tenant's sole cost and expense, the Switchgear B including tie circuit breaker BC and one of the Power Conduits from Switchgear B feeder branch circuit "A2" up to and including the point at which power feeders are connected to the Building, as shown on **Exhibit A-4** hereto (the "***Licensed Power Conduit***") and referenced in original drawing E400, for the purpose of providing critical power to the Premises. Landlord shall not use future tie feeder capability provisioned on Tenant's side of Switchgear B. Tenant shall be responsible for obtaining and maintaining, to the extent required, all approvals, permits and licenses required by any federal, state or local government or utility provider for installation and operation of the Switchgear B, including tie circuit breaker BC and the Licensed Power Conduit, from the point of connection to the utility provider in the switchgear to the Building, for paying all fees attendant thereto and for complying with all other legal requirements relating to the Switchgear B, including tie circuit breaker BC and the Licensed Power Conduit. Tenant shall have the sole responsibility for maintenance, repair and replacement of Switchgear B, and the Licensed Power Conduit and all facilities ancillary thereto, if any. Landlord shall have the sole responsibility for maintenance, repair and replacement of Switchgear A and all facilities ancillary thereto, including the tie breaker AB, and for obtaining all approvals, permits and licenses required by any federal, state or local government or utility provider for installation and operation of Switchgear A, for paying all fees attendant thereto and for complying with all other legal requirements relating to Switchgear A. Tenant shall not make any modifications to Switchgear B or circuit breaker BC including structural configuration, controls, and circuit setup without Landlord's prior written approval, such approval not to be unreasonably withheld or delayed. Prior to performing maintenance within its respective switchgear, the party performing such maintenance shall provide reasonable notice to the other party except in an emergency. Subject to Landlord's reasonable rules and regulations, Tenant shall have access to all manholes and underground facilities relating to and for the purpose of servicing and maintaining the Licensed Power Conduit. Tenant shall coordinate with Landlord concerning any penetration of the exterior side of the Building in concerning any potential interference with other Building utilities. All repairs to the Project made necessary by reason of the furnishing, installation, maintenance or operation of the Licensed Power Conduit or any replacements thereof, shall be at Tenant's sole cost. Upon the expiration or early termination of this Lease, the Licensed Power Conduit and all wiring and cables within shall become the property of Landlord and Tenant hereby assigns all right and title and interest therein to Landlord. Tenant's use of the Licensed Power Conduit shall not interfere with the structure of the Building, and any other Building systems for the equipment or property of any third party providing services to the Building. Except for such as arise from Landlord's gross negligence or willful misconduct or as provided in Section 11.4 below, Landlord shall have no liability on account of any damage to or interference with the operation of the Licensed Conduits by any third party. Landlord and Tenant each reserve the right in connection with the maintenance, repair, replacement of and splicing within the Power Conduits or other conduits serving the Project, and upon reasonable advance written notice to the other, to cause critical power to be interrupted to any building on the Land, it being recognized that any such interruption may cause Landlord or Tenant, as the case may be, to be required to implement use of redundant power during such periods of interruption."

Affirmation of Rentable Area. Landlord and Tenant hereby confirm that the Premises contain 95,440 square feet of rentable area.

12. Miscellaneous Terms and Provisions.

(a) Lease Terms. All other provisions of the Lease shall remain in effect and unchanged except as modified herein, and all terms, covenants and conditions shall remain in effect as modified by this Amendment. If any provision of this Amendment conflicts with the Lease, the provisions of this Amendment shall control.

(b) Ratification. Except as otherwise expressly modified by the terms of this Amendment, the Lease shall remain unchanged and continue in full force and effect. All terms, covenants and conditions of the Lease not expressly modified herein are hereby confirmed and ratified and remain in full force and effect, and, as further amended hereby, constitute valid and binding obligations of Tenant enforceable according to the terms thereof.

(c) Binding Effect. All of the covenants contained in this Amendment, including, but not limited to, all covenants of the Lease as modified hereby, shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives and permitted successors and assigns.

(d) Effectiveness. The submission of this Amendment shall not constitute an offer, and this Amendment shall not be effective and binding unless and until fully executed and delivered by each of the parties hereto.

(e) Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be an original, but all of which shall constitute one and the same Amendment.

(f) Defined Terms. Unless otherwise provided herein, all terms used in this Amendment that are defined in the Lease shall have the meanings provided in the Lease.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment to Lease Agreement under seal as of the day and year first above written.

WITNESS/ATTEST:

/s/ MARIA KENNY

LANDLORD:

EDEN VENTURES LLC, a Delaware limited liability company [SEAL]

By: **EDEN MANAGEMENT LLC**, a Delaware limited liability company, Manager

By: /s/ HOSSEIN FATEH

Name: Hossein Fateh
Title: Managing Member

WITNESS/ATTEST:

/s/ PAUL SILLIMAN

TENANT:

EQUINIX, INC.,
a Delaware corporation [SEAL]

By: /s/ RENEE F. LANAM

Name: Renee Lanam
Title: Chief Financial Officer

Exhibit 10.114

i-STT Investments Pte. Ltd.

51 Cuppage Road
#10-11/17
Singapore 229469
(Regn No.: 199600443G)

1st February 2005

Equinix, Inc.
301 Velocity Way, 5th Floor Foster City
California 94404-4803
United States of America

BY COURIER & BY HAND
(650)513 7800

Attention: Renee F. Lanam
Chief Financial Officer

Dear Sirs

NOTICE TO CONVERT SERIES A-1 PREFERRED STOCK INTO COMMON STOCK

We hereby give you notice, pursuant to the Certificate of Designation of Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock of Equinix, Inc. dated 30th December 2002 (the "Certificate of Designation"), that we are electing to convert the 4,144,216 Series A-1 Convertible Preferred Stock of Equinix, Inc. (the "Company") standing in our name on the books of the Company into 4,144,216 shares of Common Stock of the Company.

As the Preferred Share Certificate representing the said 4,144,216 Series A-1 Convertible Preferred Stock of Equinix, Inc. is already in the custody of the Company, no surrender of the Preferred Share Certificate is necessary in connection with the aforementioned conversion. We hereby request and authorize the Company to cancel the Preferred Share Certificate and to issue in its place a new share certificate for 4,144,216 shares of Common Stock of the Company. We propose that the conversion be effective as of 2nd February 2005.

We hereby request that the certificate for shares of Common Stock which are to be issued pursuant to this conversion be issued in the name of i-STT Investments Pte Ltd, and that i-STT Investments Pte Ltd be treated for all purposes as the record holder of such shares of Common Stock in accordance with the terms of the Certificate of Designation.

Kindly issue and deliver up the certificate(s) for the 4,144,216 share of Common Stock by courier to our Counsel, Latham and Watkins LLP, at 633 West Fifth Street, Suite 4000, Los Angeles, CA 90071-2007 (Attention: Dominic Yoong/ Ryan Hochgesang) as soon as practicable, and in any event, no later than 12th February 2005.

Thank you for your assistance in this matter.

Sincerely,

/s/ PEK SIOK LAN

Pek Siok Lan
Director
i-STT Investments Pte Ltd

cc: General Counsel, STT Communications Ltd
Brandi Galvin, General Counsel, Equinix, Inc.
Dominic Yoong/Ryan Hochgesang, Latham & Watkins LLP

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-45280, 333-58074, 333-71870, 333-85202, 333-104078, 333-113765 and 333-117892) and Form S-3 (Nos. 333-104077, 333-108783, 333-109697, 333-114723, 333-116322 and 333-120224) of Equinix, Inc. of our report dated March 10, 2005 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 10, 2005

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 annual report on Form 10-K 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: March 10, 2005

/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 annual report on Form 10-K 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: March 10, 2005

/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 Annual Report of Equinix, Inc. (the "Company") on Form 10-K for the period ending December 31, 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
March 10, 2005

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 Annual Report of Equinix, Inc. (the “Company”) on Form 10-K for the period ending December 31, 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
March 10, 2005