UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to _______________

Commission File Number 000-31293

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

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

2450 Bayshore Parkway, Mountain View, California 94043
(Address of principal executive offices, including ZIP code)

(650) 316-6000
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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

The number of shares outstanding of the Registrant's Common Stock as of March 31, 2001 was 79,659,050.

EQUINIX, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

EQUINIX, INC.

Condensed Consolidated Balance Sheets
(in thousands)

<TABLE>
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<S>	March 31, 2001 (unaudited) <C>	December 31, 2000 <C>
Assets		
Current assets:		
Cash and cash equivalents	$ 165,869	$ 174,773
Short-term investments	80,439	32,437
Accounts receivable, net	6,378	4,925
Current portion of restricted cash and short-term investments	15,231	15,468
Prepaids and other current assets	13,432	10,373
Total current assets	281,349	237,976
Property and equipment, net	342,001	315,380
Construction in progress	89,257	94,894
Restricted cash and short-term investments, less current portion	20,399	21,387
Debt issuance costs, net	11,431	11,916
Other assets	3,397	1,932
Total assets	$ 747,834	$ 683,485
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 12,451	$ 13,717
Accrued construction costs	55,568	89,343
Current portion of debt facilities and capital lease obligations	5,415	4,426
Accrued interest payable	8,667	2,167
Other current liabilities	2,304	

		1,646
Total current liabilities	84,405	111,299
Debt facilities and capital lease obligations, less current portion	7,581	6,506
Senior secured credit facility	125,000	--
Senior notes	186,399	185,908
Other liabilities	7,229	4,656
Total liabilities	410,614	308,369
Stockholders' equity:		
Common stock	79	77
Additional paid-in capital	549,681	553,070
Deferred stock-based compensation	(28,507)	(38,350)
Accumulated other comprehensive income (loss)	(896)	1,919
Accumulated deficit	(183,137)	(141,600)
Total stockholders' equity	337,220	375,116
Total liabilities and stockholders' equity	$ 747,834	$ 683,485

</TABLE>

See accompanying notes to condensed consolidated financial statements.

EQUINIX, INC.

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

<TABLE>
<CAPTION>

	Three months ended March 31, 2001	2000
	(unaudited)	
Revenues	$ 12,613	$ 136
Costs and operating expenses:		
Cost of revenues (includes stock-based compensation of $241 and $106 for the three months ended March 31, 2001 and 2000, respectively)	23,678	3,321
Sales and marketing (includes stock-based compensation of $1,083 and $1,358 for the three months ended March 31, 2001 and 2000, respectively)	5,225	4,516
General and administrative (includes stock-based compensation of $6,825 and $2,018 for the three months ended March 31, 2001 and 2000, respectively)	18,676	6,254
Total costs and operating expenses	47,579	14,091

Loss from operations	(34,966)	(13,955)
Interest income	3,947	3,662
Interest expense	(10,518)	(7,716)
Net loss	$(41,537)	$(18,009)
Net loss per share:		
Basic and diluted	$ (0.54)	$ (2.40)
Weighted average shares	76,380	7,516

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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

<TABLE>
<CAPTION>

	Three months ended March 31,	
	2001	2000
	(unaudited)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	$ (41,537)	$(18,009)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	10,525	1,636
Amortization of deferred stock-based compensation	8,149	3,482
Amortization of debt-related issuance costs and discounts	1,832	1,070
Allowance for doubtful accounts	467	
Changes in operating assets and liabilities:		
Accounts receivable	(1,920)	(107)
Prepaids and other current assets	(3,059)	96
Other assets	(1,465)	(387)
Accounts payable and accrued expenses	(1,266)	953
Accrued interest payable	6,500	6,764
Other current liabilities	658	(31)
Other liabilities	1,717	357
Net cash used in operating activities	(19,399)	(4,176)

Cash flows from investing activities:

Purchase of short-term investments	(72,555)	(5,944)
Sales and maturities of short-term investments	24,617	19,768
Purchases of property and equipment	(34,692)	(36,497)
Accrued construction costs	(33,775)	14,175
Purchase of restricted cash and short-term investments	-	(2,444)
Sale of restricted cash and short-term investments	1,225	-
Net cash used in investing activities	(115,180)	(10,942)
Cash flows from financing activities:		
Proceeds from exercise of stock options and employee stock purchase plan	1,508	1,064
Proceeds from issuance of debt facilities and capital lease obligations	128,004	-
Repayment of debt facilities and capital lease obligations	(940)	(1,424)
Repurchase of common stock	(18)	(11)
Net cash provided by (used in) financing activities	128,554	(371)
Effect of foreign currency exchange rates on cash and cash equivalents	(2,879)	
Net decrease in cash and cash equivalents	(8,904)	(15,489)
Cash and cash equivalents at beginning of period	174,773	203,165
Cash and cash equivalents at end of period	$ 165,869	$187,676
Supplemental cash flow information:		
Cash paid for interest	$ 4,599	$ 366

</TABLE>

See accompanying notes to condensed consolidated financial statements.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared by Equinix, Inc. (``Equinix'' or the ``Company'') and reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to present fairly the financial position and the results of operations for the interim periods presented. The balance sheet at December 31, 2000 has been derived from audited financial statements at that date. The financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (``SEC''), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles. For further information, refer to the Consolidated Financial Statements and Notes thereto included in Equinix's Form 10-K as filed with the SEC on March 27, 2001. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

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

Revenues consist of monthly recurring fees for colocation and interconnection services at the IBX centers, service fees associated with the delivery of professional services and non-recurring installation fees. Revenues from colocation and interconnection services are billed monthly and recognized ratably over the term of the contract, generally one to three years. Professional service fees are recognized in the period in which the services were provided and represent the culmination of the earnings process. Non-recurring installation fees are deferred and recognized ratably over the term of the related contract.

2. Cash, Cash Equivalents and Short-Term Investments

On January 2, 2001, the Company drew down $50,000,000 in term loans made available through the Senior Secured Credit Facility entered into by the Company on December 20, 2000 (see Note 5).

On March 5, 2001, the Company drew down $75,000,000 in term loans made available through the Senior Secured Credit Facility entered into by the Company on December 20, 2000 (see Note 5).

3. Property and Equipment

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

	March 31, 2001 (unaudited)	December 31, 2000
Leasehold improvements	$278,843	$243,851
IBX plant and machinery	51,453	51,305
Computer equipment and software	12,821	12,438
IBX equipment	23,527	21,960
Furniture and fixtures	1,297	1,241
	367,941	330,795
Less accumulated depreciation	(25,940)	(15,415)
	$342,001	$315,380

Leasehold improvements, certain computer equipment, IBX plant and machinery, software and furniture and fixtures recorded under capital leases aggregated $5,999,000 at both March 31, 2001 and December 31, 2000. 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 our contractor totaling $5,987,000 and $5,761,000 as of March 31, 2001 and December 31, 2000, respectively. Amortization on such warrants within leasehold improvements is included in depreciation expense.

4. Construction in Progress

Construction in progress includes direct and indirect expenditures for the construction of IBX centers and is stated at original cost. The Company has contracted out substantially all of the construction of the IBX centers to independent contractors under construction contracts. Construction in progress includes certain costs incurred under a construction contract including project management services, site identification and evaluation services, engineering and schematic design services, design development and construction services and other construction-related fees and services. In addition, the Company has capitalized certain interest costs during the construction phase. Once an IBX center becomes operational, these capitalized costs are depreciated at the appropriate rate consistent with the estimated useful life of the underlying asset.

Included within construction in progress is the value attributed to the unearned portion of warrants issued to certain fiber carriers and our contractor totaling $2,863,000 as of March 31, 2001 and $6,270,000 as of December 31, 2000.

Interest incurred is capitalized in accordance with Statement of Financial Accounting Standards (``SFAS'') No. 34, Capitalization of Interest Costs. Total interest cost incurred and total interest capitalized during the three months ended March 31, 2001, was $11,099,000 and $581,000, respectively. Total interest cost incurred and total interest capitalized during the three months ended March 31, 2000, was $7,910,000 and $194,000, respectively.

5. Debt Facilities

Wells Fargo Loan

In March 2001, the Company obtained a $3,004,000 loan from Wells Fargo Equipment Finance, Inc. (the "Wells Fargo Loan"). Repayments on the Wells Fargo Loan are made over 36 months and interest accrues at 13.15% per annum. The Wells Fargo Loan is secured by certain equipment located in the New York metro area IBX currently under construction.

Senior Secured Credit Facility

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

- Term loan facility in the amount of $50,000,000. The outstanding term loan amount is 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 is required to borrow the entire facility on or before December 20, 2001. The outstanding delayed draw term loan amount is 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 is required to be paid in full on or before December 15, 2005. None of the revolving credit facility was drawn down as of March 31, 2001.

The Senior Secured Credit Facility has a number of covenants, which include reaching certain minimum revenue targets and limiting cumulative EBITDA losses and maximum capital spending limits among others. The Company was in compliance with all covenants as of March 31, 2001 and December 31, 2000.

Borrowings under the Senior Secured Credit Facility are collateralized by a first priority lien against substantially all of the Company's assets. The lenders under the Senior Secured Credit Facility have agreed that the liens which collateralize the Senior Secured Credit Facility may also collateralize an additional $100,000,000 of additional borrowings in the event the Senior Secured Credit Facility is extended, but the lenders have no obligation to provide such additional financing.

Loans under the Senior Secured Credit Facility bear interest at floating rates, plus applicable margins, based on either the prime rate or LIBOR. At March 31, 2001, the Company's total indebtedness against the Senior Senior Secured Credit Facility totaling $125,000,000 had an effective interest rate of 9.12%.

The costs related to the issuance of the Senior Secured Credit Facility were capitalized and are being amortized to interest expense using the effective interest method, over the life of the Senior Secured Credit Facility. Debt issuance costs, net of amortization, are $5,519,000 and $5,966,000 as of March 31, 2001 and December 31, 2000, respectively.

6. Stockholders' Equity

Stock Plans

On January 1, 2001, pursuant to the provisions of the Company's stock plans, the number of common shares reserved automatically increased by 4,618,731 shares for the 2000 Equity Incentive Plan, 600,000 shares for the Employee Stock Purchase Plan and 50,000 shares for the 2000 Director Stock Option Plan.

On January 31, 2001, a total of 222,378 shares were purchased under the Employee Stock Purchase Plan with total proceeds to the Company of $1,122,000.

Warrants

In March 2001, holders of the NorthPoint Warrant, the Comdisco Loan and Security Agreement Warrant, the Comdisco Master Lease Agreement Warrant and the Comdisco Master Lease Agreement Addendum Warrant exercised such warrants pursuant to the cashless "net-exercise" provisions thereof. Upon such exercises, such warrant holders received an aggregate of 1,049,599 shares of the Company's common stock.

During the quarter ended March 31, 2001, certain holders of Senior Note Warrants exercised their warrants resulting in 1,283,069 shares of the Company's common stock being issued. A total of 1,755,781 shares underlying these Senior Note Warrants remain outstanding as of March 31, 2001.

7. Commitments and Contingencies

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 or results of operations of the Company.

8. Related Party Transactions

On February 27, 2001, the Company advanced an aggregate of $1,514,000 to an officer of the Company, which is evidenced by a promissory note. The proceeds of this loan were used to fund the purchase of a principal residence. The loan is due February 27, 2006, but is subject to certain events of acceleration. The loan is non-interest bearing.

9. Comprehensive Loss

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

<TABLE>
<CAPTION>

	Three months ended March 31, 2001	Three months ended March 31, 2000
<S>	<C>	<C>
Net loss...	$(41,537)	$(18,009)
Unrealized loss on available for sale securities..	(9)	(27)
Foreign currency translation gain................	(887)	--
Comprehensive loss...............................	$(42,433)	$(18,036)

</TABLE>

There were no significant tax effects on comprehensive loss for the three months ended March 31, 2001 and 2000.

10. Net Loss per Share

Basic and diluted net loss per share are computed using the weighted average number of common shares outstanding. Options, warrants and preferred stock were not included in the computation of diluted net loss per share because the effect would be anti-dilutive.

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

<TABLE>
<CAPTION>

	Three months ended March 31, 2001	Three months ended March 31, 2000
<S>	<C>	<C>
Numerator:		
Net loss...................................	$ (41,537)	$ (18,009)
Historical:		

Denominator:		
Weighted average shares......................	80,357	15,640
Weighted average unvested shares subject to repurchase.............................	(3,977)	(8,124)
Total weighted average shares.............	76,380	7,516
Net loss per share:		
Basic and diluted.........................	$ (0.54)	$ (2.40)

</TABLE>

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

<TABLE>
<CAPTION>

	March 31,	
	2001	2000
<S>	<C>	<C>
Series A redeemable convertible preferred stock...............	--	18,682,500
Series B redeemable convertible preferred stock...............	--	15,762,373
Series A preferred stock warrants............................	--	1,245,000
Common stock warrants..	4,179,881	4,422,745
Common stock options...	13,444,132	2,896,565
Common stock subject to repurchase...........................	3,976,926	8,124,635

</TABLE>

11. 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. Accordingly, the Company considers itself to operate in a single segment. 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.

As of March 31, 2001, all of the Company's operations and assets were based in the United States with the exception of $33,246,000 of the Company's identifiable assets based in Europe and $463,000 of the Company's total net loss was attributable to the development of its European operations. As of March 31, 2000, all of the Company's operations and assets were based in the United States.

Revenues from two customers accounted for 13% and 11%, respectively, of the Company's revenues for the three months ended March 31, 2001.

12. Recent Accounting Pronouncements

In September 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards, or SFAS, No. 133, Accounting for Derivative Instruments and Hedging Activities. In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 137 ("SFAS 137"), "Accounting for Derivative Instruments and Hedging Activities- Deferral of the Effective Date of FASB Statement No. 133." In June 2000, the FASB issued SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133." SFAS 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities, and requires that all derivatives, including foreign currency exchange contracts, be recognized on the balance sheet at fair value. The adoption of SFAS 133, as amended by SFAS 137 and SFAS 138, did not have a material impact on our financial position and results of operations.

In March 2000, the FASB issued Interpretation No. 44, ("FIN 44"), Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB 25. This Interpretation clarifies (a) the definition of employee for purposes of applying Opinion 25, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. This Interpretation is effective July 1, 2000, but certain conclusions in this Interpretation cover specific events that occur after either December 15, 1998, or January 12, 2000. The adoption of FIN 44 did not have a material effect on the Company's financial position and results of operations.

13. Subsequent Events

The Company has taken and intends to continue to take steps to reduce its projected operating expenses, including a realignment and reduction of approximately 10% of its workforce, a reduction of certain discretionary spending, such as travel and entertainment, and a reduction of marketing expenses. The Company does not expect to see any impact to operations or customer services as a result of these cost-saving measures.

Item 2.

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

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

Overview

Equinix, Inc. ("Equinix", the "Company", "we" or "us") designs, builds and operates neutral Internet Business Exchange ("IBX") centers where Internet businesses place their equipment and their network facilities in order to interconnect with each other to improve internet performance. Our neutral IBX centers provide content providers, application service providers, or ASPs and e-commerce companies with the ability to directly interconnect with a choice of bandwidth providers, Internet service providers, or ISPs, and site and performance management companies. Equinix currently has IBX centers totaling an aggregate of 611,000 gross square feet in the Washington, D.C. metropolitan area, the New York metropolitan area, Silicon Valley, Dallas, Los Angeles and Chicago. We intend to complete construction of one additional IBX center within the next twelve months, resulting in IBX centers covering seven domestic markets in the United States. Since our inception on June 22, 1998, our operating activities have consisted primarily of designing, building and operating our IBX centers, developing our management team and raising equity and third party debt.

We generate recurring revenues primarily from the leasing of cabinet space and power. In addition, we offer value-added services and professional services including direct interconnections between our customers and "Smart Hands" service for customer equipment installations and maintenance. Customer contracts for the lease of cabinet space, power, interconnections and switch ports are renewable and typically are for two or more years with payments for services made on a monthly basis. In addition, we generate non-recurring revenues, which are comprised of installation charges that are billed upon successful installation of our customer cabinets, power, interconnections and switch ports. Both recurring and non-recurring revenues are recognized ratably over the term of the contract.

Many of our customers have signed multi-site and multi-year contracts. Assuming completion of our planned IBX projects, the full installation of the customer equipment contemplated by these contracts and no incremental interconnection revenue beyond the minimum provided for by these contracts, these contracts would provide us with monthly recurring revenue of approximately $6.5 million. Because we may alter our rollout schedule and we depend upon third parties to construct and connect our facilities with fiber and accordingly, the timing of customer installations, Equinix cannot predict when and whether we will realize the full value of these contracts. Moreover, many of our customer contracts can be terminated upon requisite written notice.

Our cost of revenues consists primarily of lease payments on our existing and proposed IBX centers, site employees' salaries and benefits, utility costs, amortization and depreciation of IBX center build-out costs and equipment and engineering, power, redundancy and security systems support and services. In addition, cost of revenues includes certain costs related to real estate obtained for future IBX facilities in

the United States and Europe. We will continue to fund these costs and these costs will be expensed as incurred. We expect our cost of revenues to increase for the foreseeable future.

Our selling, general and administrative expenses consist primarily of costs associated with recruiting, training and managing of employees, salaries and related costs of our operations, customer fulfillment and support functions costs, finance and administrative personnel and related professional fees. Our selling, general and administrative expenses will increase as we continue to expand our operations.

We recorded deferred stock-based compensation of approximately $54.5 million, $19.4 million and $1.1 million in connection with stock options granted during 2000, 1999 and 1998, respectively, where the deemed fair market value of the underlying common stock was subsequently determined to be greater than the exercise price on the date of grant. Approximately $8.1 million and $3.5 million was amortized to stock-based compensation expense for the three months ended March 31, 2001 and 2000, respectively. The options granted are typically subject to a four-year vesting period. We are amortizing the deferred stock-based compensation on an accelerated basis over the vesting periods of the applicable options in accordance with FASB Interpretation No. 28. The remaining $28.5 million of deferred stock-based compensation will be amortized over the remaining vesting periods. We expect amortization of deferred stock-based compensation expense to impact our reported results through December 31, 2004.

Our adjusted net loss before net interest and other expense, income taxes, depreciation and amortization of capital assets, amortization of stock-based compensation and other non-cash charges ("Adjusted EBITDA") is calculated to enhance an understanding of our operating results. Adjusted EBITDA is a financial measurement commonly used in capital-intensive telecommunication and infrastructure industries. Other companies may calculate Adjusted EBITDA differently than we do. It is not intended to represent cash flow or results of operations in accordance with generally accepted accounting principles nor a measure of liquidity. We measure Adjusted EBITDA at both the IBX center and total company level.

Since inception, we have experienced operating losses and negative cash flow. As of March 31, 2001 we had an accumulated deficit of $183.1 million and accumulated cash used in operating and construction activities of $491.0 million. Given the revenue and income potential of our service offerings is still unproven and we have a limited operating history, we may not generate sufficient operating results to achieve desired profitability. We therefore believe that we will continue to experience operating losses for the foreseeable future. See "Other Factors Affecting Operating Results".

Results of Operations

Three Months Ended March 31, 2001 and 2000

Revenues. We recognized revenues of $12.6 million for the three months ended March 31, 2001. Revenues consisted of recurring revenues of $11.7 million primarily from the leasing of cabinet space and non-recurring revenues of $916,000 related to the recognized portion of deferred installation revenue and custom service revenues. Installation and service fees are recognized ratably over the term of the contract. Custom service revenues are recognized upon completion of the services. We recognized revenues of $136,000 during the three months ended March 31, 2000.

Cost of Revenues. Cost of revenues increased from $3.3 million for the three months ended March 31, 2000 to $23.7 million for the three months ended March 31, 2001. Cost of revenues consists primarily of rental payments for our leased IBX centers, site employees' salaries and benefits, utility costs, power and redundancy system engineering support services and related costs, security services and related costs and depreciation and amortization of our IBX center build-out and other equipment costs. The increase in cost of revenues was due to additional leases and increased expenses related to our opening of additional IBX centers.

Sales and Marketing. Sales and marketing expenses increased from $4.5 million for the three months ended March 31, 2000 to $5.2 million for the three months ended March 31, 2001. These amounts include $1.4 million and $1.1 million, respectively, of stock-based compensation expense. Sales and marketing expenses consist primarily of compensation and related costs for the sales and marketing

personnel, sales commissions, marketing programs, public relations, promotional materials and travel. The increase in sales and marketing expense resulted from the addition of personnel in our sales and marketing organizations, reflecting our increased selling effort and our efforts to develop market awareness. We anticipate that sales and marketing expenses will increase in absolute dollars as we increase our investment in these areas to coincide with the rollout of additional IBX centers.

General and Administrative. General and administrative expenses increased from $6.3 million for the three months ended March 31, 2000 to $18.7 million for the three months ended March 31, 2001. These amounts include $2.0 million and $6.8 million, respectively, of stock-based compensation expense. General and administrative expenses consist primarily of salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses. The increase in general and administrative expenses was primarily the result of increased expenses associated with additional hiring of personnel in management, finance and administration, as well as other related costs associated with supporting the Company's expansion. We anticipate that general and administrative expenses will increase in absolute dollars due to increased staffing levels consistent with the growth in our infrastructure and related operating costs associated with our regional and international expansion efforts.

Adjusted EBITDA. Adjusted EBITDA loss increased for the three months ended March 31, 2000 from $8.8 million to $16.3 million for the three months ended March 31, 2001. Although many factors affect EBITDA and costs vary from IBX market to IBX market, as of March 31, 2001, three of our six IBX centers achieved positive EBITDA status. We anticipate that EBITDA losses have now peaked and will begin to decline in subsequent quarters.

Interest Income. Interest income increased for the three months ended March 31, 2000 from $3.7 million to $3.9 million for the three months ended March 31, 2001. Interest income increased due to higher cash, cash equivalent and short-term investment balances held in interest bearing accounts, resulting from the proceeds of the initial public offering and preferred stock financing activities.

Interest Expense. Interest expense increased from $7.7 million for the three months ended March 31, 2000 to $10.5 million for the three months ended March 31, 2001. The increase in interest expense was attributed to interest on the senior notes, interest related to an increase in our debt facilities and capital lease obligations, including the new senior secured credit facility, and amortization of the senior notes, senior secured credit facility, other debt facilities and capital lease obligations discount.

Liquidity and Capital Resources

Since inception, we have financed our operations and capital requirements primarily through the issuance of senior notes, the private sale of preferred stock, our initial public offering and various debt financings, including our recently completed $150.0 million senior secured credit facility, for aggregate gross proceeds of approximately $839.2 million. As of March 31, 2001, we had approximately $246.3 million in cash, cash equivalents and short-term investments. Furthermore, we have an additional $35.6 million of restricted cash, cash equivalents and short-term investments to fund interest expense through June 2001 on our 13% senior notes due 2007, provide collateral under a number of separate security agreements for standby letters of credit and escrow accounts entered into and in accordance with certain lease agreements. Our principal sources of liquidity consist of our cash, cash equivalent and short-term investment balances and the remaining $25.0 million from our $150.0 million senior secured credit facility that we have yet to draw. As of March 31, 2001, our total indebtedness from our senior notes, debt facilities and capital lease obligations was $338.0 million.

Net cash used in our operating activities was $19.4 million and $4.2 million for the three months ended March 31, 2001 and 2000, respectively. We used cash primarily to fund our net loss from operations.

Net cash used in investing activities was $115.2 million and $10.9 million for the three months ended March 31, 2001 and 2000, respectively. Net cash used in investing activities was primarily attributable to the construction of our IBX centers and the purchase of restricted cash and short-term investments.

Net cash generated by financing activities was $128.6 million for the three months ended March 31, 2001. Net cash used in financing activities was $371,000 for the three months ended March 31, 2000. Net cash generated by financing activities during the three months ended March 31, 2001 was primarily attributable to the $125.0 million drawdown of our $150.0 million senior secured credit facility. Net cash used in financing activities during the three months ended March 31, 2000 was primarily attributable to the repayment of our debt facilities and capital lease obligations.

In March 1999, we entered into a loan and security agreement in the amount of $7.0 million, bearing interest at 7.5% to 9.0% per annum, repayable in 36 to 42 equal monthly payments with a final interest payment equal to 15% of the advance amounts due at maturity. The outstanding principal and interest balance under this loan and security agreement, including the final interest payment, was repaid in December 2000.

In May 1999, we entered into a master lease agreement in the amount of $1.0 million. This master lease agreement was increased by addendum in August 1999 by $5.0 million. This agreement bears interest at either 7.5% or 8.5% and is repayable over 42 months in equal monthly payments with a final interest payment equal to 15% of the advance amounts due on maturity. As of March 31, 2001, these capital lease financings were fully drawn.

In August 1999, we entered into a loan agreement in the amount of $10.0 million. This loan agreement bears interest at 8.5% and is repayable over 42 months in equal monthly payments with a final interest payment equal to 15% of the advance amounts due on maturity. As of March 31, 2001, these capital lease financings were fully drawn.

In December 1999, we issued $200.0 million aggregate principal amount of 13% senior notes due 2007 for aggregate net proceeds of $193.4 million, net of offering expenses. Of the $200.0 million gross proceeds, $16.2 million was allocated to additional paid-in capital for the fair market value of the common stock warrants and recorded as a discount to the senior notes. Senior notes, net of the unamortized discount, are $186.4 million as of March 31, 2001.

In December 1999, we completed the private sale of our Series B redeemable convertible preferred stock, net of issuance costs, in the amount of $81.7 million.

In May 2000, we entered into a purchase agreement regarding approximately 80 acres of real property in San Jose, California. In June 2000, before the closing on this property, we assigned our interest in the purchase agreement to iStar San Jose, LLC ("iStar"). On the same date, iStar purchased this property and entered into a 20-year lease with us for the property. Under the terms of the lease, we have the option to extend the lease for an additional 60 years, for a total lease term of 80 years. In addition, we have the option to purchase the property from iStar after 10 years.

In June 2000, we completed the private sale of our Series C redeemable convertible preferred stock in the amount of $94.4 million.

In August 2000, we completed an initial public offering of 20,000,000 shares of common stock. In addition, in September 2000, the underwriters exercised their option to purchase 2,704,596 shares to cover over-allotments of shares. Total net proceeds from the offering and over-allotment were $251.5 million.

In December 2000, we entered into a $150.0 million senior secured credit facility. As of March 31, 2001, $125.0 million of this facility has been drawn.

We expect that our cash on hand and anticipated cash flow from operations, and drawdown of the remaining $25.0 million of our senior secured credit facility, should be sufficient to build our additional IBX center by the end of 2001. Assuming sufficient customer demand and the availability of additional financing, we will build additional IBX centers and expand certain existing IBX centers. We are continually evaluating the location, number and size of our facilities based upon the availability of suitable sites, financing and customer demand. If we cannot raise additional funds on acceptable terms or our losses exceed our expectations, we may delay or permanently reduce our rollout plans. Additional financing may take the form of debt or equity. If we are unable to raise additional funds to further our rollout, we anticipate that the cash flow generated from the seven IBX centers, for which we will have obtained financing, will be sufficient to meet the working capital, debt service and corporate overhead requirements associated with those IBX centers.

Recent Accounting Pronouncements

In September 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards, or SFAS, No. 133, Accounting for Derivative Instruments and Hedging Activities. In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 137 ("SFAS 137"), "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." In June 2000, the FASB issued SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133." SFAS 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities, and requires that all derivatives, including foreign currency exchange contracts, be recognized on the balance sheet at fair value. The adoption of SFAS 133, as amended by SFAS 137 and SFAS 138, did not have a material impact on our financial position and results of operations.

In March 2000, the FASB issued Interpretation No. 44, or FIN 44, Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB 25. This Interpretation clarifies (a) the definition of employee for purposes of applying Opinion 25, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. This Interpretation is effective July 1, 2000, but certain conclusions in this Interpretation cover specific events that occur after either December 15, 1998, or January 12, 2000. The adoption of FIN 44 did not have a material effect on the Company's financial position and results of operations.

Impact of the Year 2000

We have not experienced any disruption related to the year 2000 in the operation of our systems. Although most year 2000 problems should have become evident on January 1, 2000, additional problems related to the year 2000 may become evident only after that date.

Other Factors Affecting Operating Results

Risks Related to Our Business

Our business model is new and unproven and we may not succeed in generating sufficient revenue to sustain or grow our business.

We were founded in June 1998. We did not recognize any revenue until November 1999. Our limited history and lack of meaningful financial or operating data makes evaluating our operations and the proposed scale of our business difficult. Moreover, the neutrality aspect of our business model is unique and largely unproven. We expect that we will encounter challenges and difficulties frequently experienced by early-stage companies in new and rapidly evolving markets, such as our ability to

generate cash flow, hire, train and retain sufficient operational and technical talent, and implement our plan with minimal delays. We may not successfully address any or all of these challenges and the failure to do so would seriously harm our business plan and operating results, and affect our ability to raise additional funds.

We have a history of losses, and we expect our operating expenses and losses to increase significantly.

As an early-stage company, we have experienced operating losses since inception. As of March 31, 2001, we had cumulative net losses of $183.1 million and cumulative cash used in operating activities of $98.2 million since inception. We expect to incur significant losses on a quarterly and annual basis in the foreseeable future. Our losses will increase as we:

- increase the number and size of IBX centers;
- increase our sales and marketing activities, including expanding our direct sales force; and
- enlarge our customer support and professional services organizations.

In addition, we may also use significant amounts of cash and equity to acquire complementary businesses, products, services and technologies, which could further increase our expenses and losses.

We expect our operating results to fluctuate.

We have experienced fluctuations in our results of operations on a quarterly and annual basis. We expect to experience significant fluctuations in the foreseeable future due to a variety of factors, many of which are outside of our control, including:

- the timely completion of our IBX centers;
- demand for space and services at our IBX centers;
- our pricing policies and the pricing policies of our competitors;
- the timing of customer installations and related payments;
- customer retention and satisfaction;
- the provision of customer discounts and credits;
- competition in our markets;
- the timing and magnitude of capital expenditures and expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets;
- the cost and availability of adequate public utilities, including

power;

- growth of Internet use;

- governmental regulation;

- conditions related to international operations;

- economic conditions specific to the Internet industry; and

- general economic factors.

In addition, a relatively large portion of our expenses is fixed in the short-term, particularly with respect to real estate and personnel expenses, depreciation and amortization, and interest expenses. Therefore, our results of operations are particularly sensitive to fluctuations in revenues.

Because our ability to generate enough revenues to achieve profitability depends on numerous factors, we may not become profitable.

Our IBX centers may not generate sufficient revenue to achieve profitability. Our ability to generate sufficient revenues to achieve profitability will depend on a number of factors, including:

- the timely completion of our IBX centers;

- demand for space and services at our IBX centers;

- our pricing policies and the pricing policies of our competitors;

- the timing of customer installations and related payments;

- customer retention and satisfaction;

- the provision of customer discounts and credits;

- competition in our markets;

- growth of Internet use;

- governmental regulation;

- conditions related to international operations;

- economic conditions specific to the Internet industry; and

- general economic factors.

Although we have experienced significant growth in revenues in recent quarters, this growth rate is not necessarily indicative of future operating results. It is possible that we may never achieve profitability on a quarterly or annual basis.

We are substantially leveraged and we may not generate sufficient cash flow to meet our debt service and working capital requirements.

We are highly leveraged. As of March 31, 2001, we had total indebtedness of $338.0 million consisting primarily of the following:

- our 13% senior notes due 2007;

- our $150.0 million senior secured credit facility, of which $125.0 million has been drawn down; and

- other outstanding debt facilities and capital lease obligations.

We expect to incur further debt to fund our IBX construction plans and operating losses. Our highly leveraged position could have important consequences, including:

- impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes;

- requiring us to dedicate a substantial portion of our operating cash flow to paying principal and interest on our indebtedness, thereby reducing the funds available for operations;

- limiting our ability to grow and make capital expenditures due to the financial covenants contained in our debt arrangements;

- impairing our ability to adjust rapidly to changing market conditions, invest in new or developing technologies, or take advantage of significant business opportunities that may arise; and

- making us more vulnerable if a general economic downturn occurs or if our business experiences difficulties.

In the past, we have experienced unforeseen delays and expenses in connection with our IBX construction activities. We will need to successfully implement our business strategy on a timely basis to meet our debt service and working capital needs. We may not successfully implement our business strategy, and even if we do, we may not realize the anticipated results of our strategy or generate sufficient operating cash flow to meet our debt service obligations and working capital needs.

In the event our cash flow is inadequate to meet our obligations, we could face substantial liquidity problems. If we are unable to generate sufficient cash flow or otherwise obtain funds needed to make required payments under indebtedness, or if we breach any covenants under this indebtedness, we would be in default under its terms and the holders of such indebtedness may be able to accelerate the maturity of such indebtedness, which could cause defaults under our other indebtedness.

We may be able to draw down additional funds from our senior secured credit facilities an the banks could require repayment of amounts previously drawn down if we do not maintain specific financial ratios and comply with covenants in the credit agreement.

Our senior secured credit facilities contain financial ratios and covenants that must be complied with in order for us to draw down the full amount of the facilities. These ratios and covenants include minimum quarterly revenue requirements, maximum EBITDA losses, maximum capital expenditures and maximum debt to capital ratios. If we are unable to maintain these ratios or comply with these covenants, we will not be able to draw down additional funds from the senior secured credit facilities and the banks could require repayment of amounts previously drawn down. If we are not able to draw down the full amount of the senior secured credit facilities or if we are required to repay amounts currently outstanding under the facilities, we may not be able to meet some of our spending needs and this could harm our business.

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

Our credit agreements contain numerous restrictions on our ability to incur debt, pay dividends or make other restricted payments, sell assets, enter into affiliate transactions and take other actions. Furthermore, our existing financing arrangements are, and future financing arrangements are likely to be, secured by substantially all of our assets. The existing financing arrangements require, and future financing arrangements are likely to require, that we maintain specific financial ratios and comply with covenants restricting our ability to incur additional debt, specifically including additional debt under the senior secured credit facilities, pay dividends or make other restricted payments, sell assets, enter into affiliate transactions or take other actions.

In addition, we are restricted in how we use funds raised in our debt financings. As a result, from time to time we may not be able to meet some of our spending needs and this could harm our business.

The success of our business depends on the overall demand for data center space and services and Internet infrastructure services.

Our success depends on the growth of overall demand for data center services. In addition, a large percentage of our revenues are and will in the future be derived from companies providing internet infrastructure services, such as web hosting companies, managed service providers, storage service providers and performance enhancers. A softening of demand for data center services or Internet infrastructure services caused by a weakening of the global economy in general and the U.S. economy in particular may result in decreased revenues or slower growth for us.

We may continue to have customer concentration

To date, we have relied upon a small number of customers for a majority of our revenue. We expect that we will continue to rely upon a limited number of customers for a significant percentage of our revenue. As a result of this concentration, a loss of or decrease in business from one or more of our large customers could have a material and adverse effect on our results of operations.

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

- human error;

- physical or electronic security breaches;

- fire, earthquake, flood and other natural disasters;

- water damage;

- power loss; and

- sabotage and vandalism.

Problems at one or more of our centers, whether or not within our control, could result in service interruptions or significant equipment damage. To date, our aggregate customer uptime has been in excess of 99.99% across all our operational IBX centers; however, in the past, a very limited number of our customers have experienced temporary losses of power. 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 our ability to generate revenues and affect our operating results.

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

Our IBX centers are susceptible to regional costs of power, electrical power shortages and planned or unplanned power outages caused by these shortages, such as those currently occurring in California. The overall power shortage in California has increased the cost of energy, which we may not be able to pass on to our customers. To date, none of our customers have experienced any interruption of service in our IBX centers as a result of any power shortage. 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.

Our rollout plan is subject to change and we may need to alter our plan and reallocate funds.

Our IBX center rollout plan has been developed from our current market data and research, projections and assumptions. If we are able to secure additional funds, we expect to pursue additional IBX projects and to reconsider the timing and approach to IBX projects. We expect to continually reevaluate our business and rollout plan in light of evolving competitive and market conditions and the availability of suitable sites, financing and customer demand. As a result, we may alter our IBX center rollout and reallocate funds, or eliminate segments of our plan entirely if there are:

- changes or inaccuracies in our market data and research, projections or assumptions;

- unexpected results of operations or strategies in our target markets;

- regulatory, technological, and competitive developments, including additional market developments and new opportunities; or

- changes in, or discoveries of, specific market conditions or factors favoring expedited development in other markets.

We rely upon Bechtel to complete our IBX center rollout plans on time.

We have agreed to use Bechtel Corporation exclusively as our contractor to provide program management, site identification and evaluation and construction services to build our IBX centers under mutually agreed upon guaranteed completion dates. Problems in our relationship with Bechtel, including Bechtel rendering services to our potential competitors, could have a material adverse affect on our ability to achieve our business objectives on a timely and cost-effective basis.

We depend on third parties to provide Internet connectivity to our IBX centers; if connectivity is not established or continued or is delayed, our operating results and cash flow will be adversely affected.

The presence of diverse Internet fiber from communications carriers' fiber networks to an Equinix IBX center is critical to our ability to attract new customers. We believe that the availability of such carrier capacity will directly affect our ability to achieve our projected results.

We are not a communications carrier, and as such we rely on third parties to provide our customers with carrier facilities. We intend to rely primarily on revenue opportunities from our customers to encourage carriers to incur the expenses required to build facilities from their points of presence 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. There can be no assurance that, after conducting such an evaluation, any carrier will elect to offer its services within our IBX centers. In addition, there can be no assurance 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. For example, in the past carriers have experienced delays in connecting to our facilities. 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.

We will operate in a new highly competitive market and we may be unable to compete successfully against new entrants and established companies with greater resources.

In a market that we believe will likely have an increasing number of competitors, we must be able to differentiate ourselves from existing providers of space for telecommunications equipment and web hosting companies. In addition to competing with other neutral colocation providers, we will compete with traditional colocation providers, including local phone companies, long distance phone companies, Internet service providers and web hosting facilities. Most of these companies have longer operating histories and significantly greater financial, technical, marketing and other resources than we do. We believe our neutrality provides us with an advantage over these competitors. However, these competitors could offer colocation on neutral terms, and may start doing so in the metropolitan areas where we have IBX centers. In addition, some of these competitors provide our target customers with additional benefits, including bundled communication services, and may do so at reduced prices or in a manner that is more attractive to our potential customers than obtaining space in our IBX centers. If these competitors were to provide communication services at reduced prices together with colocation space, it may lower the total price of these services in a fashion that we cannot match.

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

Because of their greater financial resources, some of these companies have the ability to adopt aggressive pricing policies. As a result, in the future, we may suffer from pricing pressure that would adversely affect our ability to generate revenues and adversely affect our operating results.

Because we depend on the development and growth of a balanced customer base, failure to attract 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 content providers, application service providers, e-commerce companies, bandwidth providers and site and performance management companies. Our ability to attract customers to our IBX centers will depend on a variety of factors, including the presence of multiple carriers, the overall mix of our customers, our operating reliability and security and our ability to effectively market our services. Construction delays, our inability to find suitable locations to build additional IBX centers, equipment and material shortages or our inability to obtain necessary permits on a timely basis could delay our IBX center rollout schedule and prevent us from developing our anticipated customer base.

A customer's decision to lease cabinet space in our IBX centers typically involves a significant commitment of resources and will be influenced by, among other things, the customer's confidence that other Internet and e-commerce related businesses will be located in a particular IBX center. In particular, 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. We generally incur significant expenses in sales and marketing prior to getting customer commitments for our services.

Delays due to the length of our sales cycle may adversely affect our business, financial condition and results of operations.

Our success will also depend upon generating significant interconnection revenues from customers, which may depend upon a balanced customer base, as well as upon the success of our IBX centers at facilitating business among customers. In addition, some of our customers will 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 our IBX centers. This may be disruptive to our business and may adversely affect our business, financial condition and results of operations.

If not properly managed, our growth and expansion could significantly harm our business and operating results.

We have experienced, and expect to continue to experience, rapid growth. This growth has placed, and we expect it to continue to place, a significant strain on our financial, management, operational and other resources. Any failure to manage growth effectively could seriously harm our business and operating results. To succeed, we will need to:

- hire, train and retain new employees and qualified engineering personnel at each IBX center;

- implement additional management information systems;

- improve our operating, administrative, financial and accounting systems and controls; and

- maintain close coordination among our executive, engineering, accounting, finance, marketing, sales and operations organizations.

To date, we have experienced difficulties implementing and upgrading our management information systems. We do not currently have a permanent Chief Information Officer. We intend to hire a permanent Chief Information Officer and additional information technology personnel to upgrade and operate our management information systems. If we are unable to hire and retain such personnel, and successfully upgrade and operate adequate management information systems to support our growth effectively, our business will be materially and adversely affected.

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

We may seek to acquire complementary businesses, products, services and technologies. As a result of these acquisitions, we may:

- be required to incur additional debt and expenditures; and

- issue additional shares of our stock to pay for the acquired business, product, service or technology, which will dilute existing stockholders' ownership interest in the Company.

In addition, if we fail to successfully integrate and manage acquired businesses, products, services and technologies, our business and financial results would be harmed. Currently, we have no present commitments or agreements with respect to any such acquisitions.

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

In the event we construct IBX centers outside of the United States, we will commit significant resources to our international sales and marketing activities. Our management has limited experience conducting business outside of the United States and we may not be aware of all the factors that affect our business in foreign jurisdictions. We will be subject to a number of risks associated with international business activities that may increase our costs, lengthen our sales cycles and require significant management attention. These risks include:

- increased costs and expenses related to the leasing of foreign IBX centers;

- difficulty or increased costs of constructing IBX centers in foreign countries;

- difficulty in staffing and managing foreign operations;

- increased expenses associated with marketing services in foreign countries;

- business practices that favor local competition and protectionist laws;

- difficulties associated with enforcing agreements through foreign legal systems;

- general economic and political conditions in international markets;

- potentially adverse tax consequences, including complications and restrictions on the repatriation of earnings;

- currency exchange rate fluctuations;

- unusual or burdensome regulatory requirements or unexpected changes to those requirements;

- tariffs, export controls and other trade barriers; and

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

To the extent that our operations are incompatible with, or not economically viable within, any given foreign market, we may not be able to locate an IBX center in that particular foreign jurisdiction.

Our stock price has been volatile in the past and is likely to continue to be volatile.

The market price of our common stock has been volatile in the past and is likely to continue to be volatile. In addition, the securities markets in general, and Internet stocks in particular, have experienced significant price volatility and accordingly the trading price of our common stock is likely to be affected by this activity.

If there is a change of control of Equinix, we may be required under our indenture and our senior secured credit facilities to repurchase or repay the debt outstanding under those agreements.

Change of control provisions in our indenture and senior secured credit facilities could limit the price that investors might be willing to pay in the future for shares of our common stock and significantly impede the ability of the holders of our common stock to change management.

Risks Related to Our Industry

If use of the Internet and electronic business does not continue to grow, a viable market for our IBX centers may not develop.

Rapid growth in the use of and interest in the Internet has occurred only recently. Acceptance and use 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 and market acceptance for recently introduced Internet services and products are subject to a high level of uncertainty and there are few proven services and products. As a result, we cannot be certain that a viable market for our IBX centers will emerge or be sustainable.

We must respond to rapid technological change and evolving industry standards in order to meet the needs of our customers.

The market for IBX centers will be marked by rapid technological change, frequent enhancements, changes in customer demands and evolving industry standards. Our success will depend, in part, on our ability to address the increasingly sophisticated and varied needs of our current and prospective customers. Our failure to adopt and implement the latest technology in our business could negatively affect our business and operating results.

In addition, we have made and will continue to make assumptions about the standards that may be adopted by our customers and competitors. If the standards adopted differ from those on which we have based anticipated market acceptance of our services or products, our existing services could become obsolete. This would have a material adverse effect on our business, financial condition and results of operations.

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

Laws and regulations governing Internet services, related communications services and information technologies, and electronic commerce are beginning to emerge but remain largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, telecommunications, and taxation, apply to the Internet and to related services such as ours. In addition, the development of the market for online commerce and the displacement of traditional telephony services by the Internet and related communications services may prompt increased calls for more stringent consumer protection laws or other regulation, both in the United States and abroad, that may impose additional burdens on companies conducting business online and their service providers. The adoption or modification of laws or regulations relating to the Internet, or interpretations of existing law, could have a material adverse effect on our business, financial condition and results of operations.

Item 3. Qualitative and Quantitative 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.

Equinix attempts to net individual exposures on a consolidated basis, when feasible, to take advantage of natural offsets. In addition, we employ foreign currency forward exchange contracts for the purpose of hedging certain specifically identified net currency exposures. The use of these financial instruments is intended to mitigate some of the risks associated with fluctuations in currency exchange rates, but does not eliminate such risks. We do not use financial instruments for trading or speculative purposes.

Interest Rate Risk

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

An immediate 10% increase or decrease in current interest rates would furthermore not have a material impact to our debt obligations due to the fixed nature of our long-term debt obligations. The fair market value of our long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. These interest rate changes may affect the fair market value of the fixed interest rate debt but does not impact earnings or cash flows of the Company.

The fair market value of our 13% senior notes due 2007 is based on quoted market prices. The estimated fair value of our 13% senior notes due 2007 as of March 31, 2001 is approximately $126.0 million.

Foreign Currency Risk

To date, all of our recognized revenue has been denominated in U.S. dollars, generated mostly from customers in the United States, and our exposure to foreign currency exchange rate fluctuations has been minimal. We expect that future revenues may be derived from customers outside of the United States and may be denominated in foreign currency. As a result, our operating results or cash flows may be impacted due to currency fluctuations relative to the U.S. dollar.

Furthermore, to the extent we engage in international sales that 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, we cannot assure you that exchange rate fluctuations will not adversely affect our financial results in the future.

We have entered into a number of lease agreements in Europe for which our liabilities are denominated in foreign currency. As of March 31, 2001, we also had foreign currency commitments relating to the initiation of our business within Europe. We use forward exchange contracts to hedge a portion of our liabilities which are denominated in foreign currencies. The Company's forward exchange contracts as of March 31, 2001, which mature during 2001, are represented below (in thousands):

<TABLE>
<CAPTION>

Contract to receive	Foreign Currency	Contract Amount in	Change in Fair Market

currency / Pay US$	Contract amount	US$	Value as of March 31, 2001
British Pounds	Pounds 3,132	US$4,538	US$67

</TABLE>

Assuming a 10% increase in the value of the U.S. dollar relative to the British Pound, and a 10% decrease in the value of the U.S. dollar relative to the British Pound, the aggregate fair value of these

foreign currency commitments as hedged would be approximately $4.1 million and $5.0 million, respectively.

Commodity Price Risk

Certain operating costs incurred by Equinix 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 building materials for the construction of our IBX centers such as steel. We are closely monitoring the cost of electricity, particularly in California. To the extent that electricity costs continue to rise, we are investigating opportunities to pass these additional power costs onto our customers that utilize this power. For building materials, we rely on Bechtel's expertise and bulk purchasing power to best manage the procurement of these required materials for the construction of our IBX centers. We do not employ forward contracts or other financial instruments to hedge commodity price risk.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

(a) Modification of Constituent Instruments.

None.

(b) Change in Rights.

None.

(c) Issuance of Securities.

None.

(d) Use of Proceeds.

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

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

The Company has taken and intends to continue to take steps to reduce its projected operating expenses, including a realignment and reduction of approximately 10% of its workforce, a reduction of certain discretionary spending, such as travel and entertainment, and a reduction of marketing expenses. The Company does not expect to see any impact to operations or customer services as a result of these cost-saving measures.

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

(a) Exhibits.

Exhibit Number	Description of Document
3.1**	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.
3.2*	Bylaws of the Registrant.
4.1	Reference is made to Exhibits 3.1 and 3.2.
4.2**	Form of Registrant's Common Stock certificate.
4.6*	Common Stock Registration Rights Agreement (See Exhibit 10.3).
4.9*	Amended and Restated Investors' Rights Agreement (See Exhibit 10.6).
10.1*	Indenture, dated as of December 1, 1999, by and among the Registrant and State Street Bank and Trust Company of California, N.A. (as trustee).
10.2*	Warrant Agreement, dated as of December 1, 1999, by and among the Registrant and State Street Bank and Trust Company of California, N.A. (as warrant agent).
10.3*	Common Stock Registration Rights Agreement, dated as of December 1, 1999, by and among the Registrant, Benchmark Capital Partners II, L.P., Cisco Systems, Inc., Microsoft Corporation, ePartners, Albert M. Avery, IV and Jay S. Adelson (as investors), and the Initial Purchasers.
10.4*	Registration Rights Agreement, dated as of December 1, 1999, by and among the Registrant and the Initial Purchasers.
10.5*	Form of Indemnification Agreement between the Registrant and each of its officers and directors.
10.6*	Amended and Restated Investors' Rights Agreement, dated as of May 8, 2000, by and between the Registrant, the Series A Purchasers, the Series B Purchasers, the Series C Purchasers and members of the Registrant's management.
10.8*	The Registrant's 1998 Stock Option Plan.
10.9*+	Lease Agreement with Carlyle-Core Chicago LLC, dated as of September 1, 1999.
10.10*+	Lease Agreement with Market Halsey Urban Renewal, LLC, dated as of May 3, 1999.
10.11*+	Lease Agreement with Laing Beaumeade, dated as of November 18, 1998.
10.12*+	Lease Agreement with Rose Ventures II, Inc., dated as of September 10, 1999.
10.13*+	Lease Agreement with 600 Seventh Street Associates, Inc., dated as of August 6, 1999.
10.14*+	First Amendment to Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of October 28, 1999.
10.15*+	Lease Agreement with Nexcomm Asset Acquisition I, L.P., dated as of January 21, 2000.
10.16*+	Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of December 15, 1999.
10.17*	Lease Agreement with ARE-2425/2400/2450 Garcia Bayshore LLC, dated as of January 28, 2000.
10.18*	Sublease Agreement with Insweb Corporation, dated as of November 1, 1998.
10.19*+	Master Agreement for Program Management, Site Identification and Evaluation, Engineering and Construction Services between Equinix, Inc. and Bechtel Corporation, dated November 3, 1999.
10.20*+	Agreement between Equinix, Inc. and WorldCom, Inc., dated November 16, 1999.
10.21*	Customer Agreement between Equinix, Inc. and WorldCom, Inc., dated November 16, 1999.
10.22*+	Lease Agreement with GIP Airport B.V., dated as of April 28, 2000.
10.23*	Purchase Agreement between International Business Machines Corporation and Equinix, Inc. dated May 23, 2000.
10.24**	2000 Equity Incentive Plan.
10.25**	2000 Director Option Plan.
10.26**	2000 Employee Stock Purchase Plan.
10.27**	Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated June 21, 2000.

10.28***+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of July 1, 2000.
10.29***+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of May 1, 2000.
10.30***+	Lease Agreement with 600 Seventh Street Associates, Inc., dated as of August 24, 2000.
10.31***+	Lease Agreement with Burlington Associates III Limited Partnership, dated as of July 24, 2000.
10.32***+	Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of August 7, 2000.
10.33***+	Lease Agreement with Quattrocento Limited, dated as of June 1, 2000.
10.34***	Lease Agreement with ARE-2425/2400/2450 Garcia Bayshore, LLC, dated as of March 20, 2000.
10.35***	First Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of October 11, 2000.
10.36****	Credit and Guaranty Agreement for $150,000,000 Senior Secured Credit Facilities, dated as of December 20, 2000.
10.37****+	Lease Agreement with Quattrocentro Limited, dated as of June 9, 2000.
10.38****+	Lease Agreement with Compagnie des Entrepots et Magasins Generaux de Paris, dated as of July 28, 2000.
10.39****+	Second Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of

	December 22, 2000.
10.40****	Third Supplement to the Lease Agreement with Naxos Schmirdelwerk Mainkur GmbH and A.A.A. Aktiengesellschaft Allgemeine Anlageverwaltung vorm. Seilwolff AG von 1890, dated as of March 8, 2001.
16.1*	Letter regarding change in certifying accountant.
21.1****	Subsidiaries of Equinix.
24.1****	Power of Attorney.

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

(b) Reports on Form 8-K.

None.

EQUINIX, INC.

SIGNATURE

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

EQUINIX, INC.

Date: May 3, 2001

By: /s/ Philip J. Koen

Chief Financial Officer, Corporate
Development Officer and Secretary
(Principal Financial and Accounting Officer)