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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 000-31293

EQUINIX, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

77-0487526
(I.R.S. Employer Identification No.)

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

(650) 513-7000
(Registrant's telephone number, including area code)

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

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

The number of shares outstanding of the Registrant's Common Stock as of June 30, 2004 was 18,239,747.

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EQUINIX, INC.

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

	<u>June 30,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 51,563	\$ 60,428
Short-term investments	40,836	12,543
Accounts receivable, net	12,595	10,178
Prepays and other current assets	1,618	3,139
	<u>106,612</u>	<u>86,288</u>
Total current assets	106,612	86,288
Property and equipment, net	324,548	343,554
Goodwill	21,059	21,228
Debt issuance costs, net	3,368	5,954
Other assets	9,097	7,508
	<u>\$ 464,684</u>	<u>\$ 464,532</u>
Total assets	\$ 464,684	\$ 464,532
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 17,895	\$ 18,880
Accrued interest payable	1,672	1,114
Current portion of debt facilities and capital lease obligations	—	2,689
Current portion of credit facility	—	12,000
Other current liabilities	4,797	3,843
	<u>24,364</u>	<u>38,526</u>
Total current liabilities	24,364	38,526
Debt facilities and capital lease obligations, less current portion	—	723
Credit facility, less current portion	—	22,281
Senior notes	—	29,220
Convertible secured notes	32,818	31,683
Convertible subordinated debentures	86,250	—
Deferred rent and other liabilities	24,969	22,022
	<u>168,401</u>	<u>144,455</u>
Total liabilities	168,401	144,455
Stockholders' equity:		
Preferred stock	2	2
Common stock	18	15
Additional paid-in capital	771,046	755,698
Deferred stock-based compensation	(477)	(1,032)
Accumulated other comprehensive income	845	1,198
Accumulated deficit	(475,151)	(435,804)
	<u>296,283</u>	<u>320,077</u>
Total stockholders' equity	296,283	320,077
Total liabilities and stockholders' equity	\$ 464,684	\$ 464,532

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Revenues	\$ 39,423	\$ 28,434	\$ 76,243	\$ 53,869
Costs and operating expenses:				
Cost of revenues	34,150	31,634	67,935	62,253
Sales and marketing	4,423	4,684	9,065	9,387
General and administrative	8,008	8,358	16,250	19,282
Total costs and operating expenses	46,581	44,676	93,250	90,922
Loss from operations	(7,158)	(16,242)	(17,007)	(37,053)
Interest income	242	66	484	136
Interest expense	(2,283)	(5,027)	(6,413)	(9,839)
Loss on debt extinguishment and conversion	—	—	(16,211)	—
Net loss before income taxes	(9,199)	(21,203)	(39,147)	(46,756)
Income taxes	(6)	—	(200)	—
Net loss	\$ (9,205)	\$ (21,203)	\$ (39,347)	\$ (46,756)
Net loss per share:				
Basic and diluted	\$ (0.51)	\$ (2.44)	\$ (2.33)	\$ (5.43)
Weighted-average shares	18,191	8,706	16,862	8,609

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June 30,	
	2004	2003
	(unaudited)	
Cash flows from operating activities:		
Net loss	\$ (39,347)	\$ (46,756)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and accretion	28,238	31,556
Amortization of intangible assets and non-cash prepaid rent	1,094	1,044
Amortization of deferred stock-based compensation	860	1,668
Non-cash interest expense	4,351	4,337
Allowance for doubtful accounts	(49)	281
Deferred rent	2,966	1,578
Loss on disposal of assets	2	—
Loss on debt extinguishment and conversion	16,211	—
Changes in operating assets and liabilities:		
Accounts receivable	(2,368)	(883)
Prepays and other current assets	1,521	4,914
Other assets	(170)	501
Accounts payable and accrued expenses	1,013	(3,090)
Accrued restructuring charges	(466)	(9,657)
Accrued merger and financing costs	—	(4,356)
Accrued interest payable	503	(1,981)
Other current liabilities	954	(1,136)
Other liabilities	60	(266)
	<u>15,373</u>	<u>(22,246)</u>
Cash flows from investing activities:		
Purchases of short-term investments	(45,386)	—
Maturities of short-term investments	12,993	—
Sales of short-term investments	3,988	—
Purchases of property and equipment	(9,162)	(1,460)
Accrued property and equipment	(1,532)	—
Purchases of restricted cash	—	(50)
Sale of restricted cash	—	2,270
	<u>(39,099)</u>	<u>760</u>
Cash flows from financing activities:		
Proceeds from exercise of warrants, stock options and employee stock purchase plan	2,590	382
Proceeds from convertible secured notes	—	10,000
Proceeds from convertible subordinated debentures	86,250	—
Repayment of debt facilities and capital lease obligations	(3,527)	(4,395)
Repayment of credit facility	(34,281)	(990)
Repayment of senior notes	(30,475)	—
Debt issuance costs	(3,222)	(458)
Debt extinguishment costs	(2,505)	—
	<u>14,830</u>	<u>4,539</u>
Effect of foreign currency exchange rates on cash and cash equivalents	31	(12)
Net decrease in cash and cash equivalents	(8,865)	(16,959)
Cash and cash equivalents at beginning of period	60,428	41,216
	<u>\$ 51,563</u>	<u>\$ 24,257</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 1,579	\$ 8,492

See accompanying notes to condensed consolidated financial statements.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared by Equinix, Inc. (“Equinix” or the “Company”) and reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to present fairly the financial position and the results of operations for the interim periods presented. The balance sheet at December 31, 2003 has been derived from audited financial statements at that date. The financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (“SEC”), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles. For further information, refer to the Consolidated Financial Statements and Notes thereto included in Equinix’s Form 10-K as filed with the SEC on March 5, 2004. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

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

In February 2004, the Company sold \$86.3 million in aggregate principal of 2.5% Convertible Subordinated Debentures due 2024 to qualified institutional buyers. The Company used the net proceeds from this offering to repay all amounts outstanding under the Credit Facility, the Heller Loan Amendment, the VLL Loan Amendment and the Senior Notes during February and March 2004. All remaining proceeds will be used for general corporate purposes. In addition, in March 2004, holders of the Company’s \$10.0 million in Convertible Secured Notes issued in connection with the Crosslink Financing, converted the \$10.0 million of principal into 2.5 million shares of the Company’s common stock. The Company refers to this transaction as the “Crosslink Conversion”. As a result of the extinguishment of debt associated with the Credit Facility, Heller Loan Amendment, VLL Loan Amendment and the Senior Notes, as well as the Crosslink Conversion, the Company recognized a loss on debt extinguishment and conversion totaling \$16.2 million (see Note 8).

As of June 30, 2004, the Company had \$92.4 million of cash, cash equivalents and short-term investments. The Company believes that this cash, coupled with anticipated cash flows generated from operations, will be sufficient to meet the Company’s capital expenditure, working capital, debt service and corporate overhead requirements within the Company’s currently identified business objectives.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Revenue Recognition and Allowance for Doubtful Accounts

Equinix derives more than 90% of its revenues from recurring revenue streams, consisting primarily of (1) colocation services, such as from the licensing of cabinet space and power; (2) interconnection services, such as cross connects and Gigabit Ethernet ports and (3) managed infrastructure services, such as Equinix Direct, bandwidth and other e-business services such as mail service and managed platform solutions. The remainder of the Company's revenues are from non-recurring revenue streams, such as from the recognized portion of deferred installation revenues, professional services, contract settlements and equipment sales. Revenues from recurring revenue streams are billed monthly and recognized ratably over the term of the contract, generally one to three years. Fees for the provision of e-business services are recognized progressively as the services are rendered in accordance with the contract terms, except where the future costs cannot be estimated reliably, in which case fees are recognized upon the completion of services. Non-recurring installation fees, although generally paid in a lump sum upon installation, are deferred and recognized ratably over the term of the related contract. Professional service fees are recognized in the period in which the services were provided and represent the culmination of the earnings process. Revenue from bandwidth and equipment is recognized on a gross basis in accordance with EITF Abstract No. 99-19, "Recording Revenue as a Principal versus Net as an Agent", primarily because the Company acts as the principal in the transaction, takes title to products and services and bears inventory and credit risk. Revenue from contract settlements is recognized on a cash basis when no remaining performance obligations exist to the extent that the revenue has not previously been recognized.

The Company occasionally guarantees certain service levels, such as uptime, as outlined in individual customer contracts. To the extent that these service levels are not achieved, the Company reduces revenue for any credits given to the customer as a result. The Company generally has the ability to determine such service level credits prior to the associated revenue being recognized, and historically, these credits have not been significant.

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Net Loss per Share

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

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Numerator:				
Net loss	\$ (9,205)	\$ (21,203)	\$ (39,347)	\$ (46,756)
Historical:				
Denominator:				
Weighted-average shares	18,191	8,709	16,862	8,613
Weighted-average unvested shares subject to repurchase	—	(3)	—	(4)
Total weighted-average shares	18,191	8,706	16,862	8,609
Net loss per share:				
Basic and diluted	\$ (0.51)	\$ (2.44)	\$ (2.33)	\$ (5.43)

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

	June 30,	
	2004	2003
Series A preferred stock	1,868,667	1,868,667
Series A preferred stock warrant	965,674	965,674
Shares reserved for conversion of convertible secured notes	3,917,018	5,921,275
Shares reserved for conversion of convertible subordinated debentures	2,183,548	—
Common stock warrants	329,954	250,680
Common stock options	4,305,429	3,381,361
Common stock subject to repurchase	1	1,553

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Income Taxes

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

The Company is currently in a net deferred tax asset position, which has been fully reserved. The Company will continue to provide a valuation allowance for the net deferred tax asset until it becomes more likely than not that the net deferred tax asset will be realizable. For the three and six months ended June 30, 2004, the Company recorded a tax provision of \$6,000 and \$200,000, respectively, which is attributable to federal alternative minimum tax. No income tax provision was recorded for the three and six months ended June 30, 2003. The Company expects the alternative minimum tax situation to continue throughout the current taxable year based on its financial outlook for the year. Although the Company recorded a tax provision for the three and six months ended June 30, 2004 for book purposes, it is not a cash liability due to sufficient stock option deductions, which can be taken for tax return purposes. The Company has recorded this income tax provision within accounts payable and accrued expenses on the accompanying balance sheet as of June 30, 2004, along with other taxes, such as personal and real property taxes (see Note 6).

Stock-Based Compensation

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

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

Primarily as a result of employee stock options being granted at exercise prices below fair market value prior to the Company's initial public offering ("IPO") in August 2000, the Company recorded a deferred stock-based compensation charge on its balance sheet of \$54,537,000 in 2000, which is being amortized over the four-year vesting life of these individual stock options net of the reversal of any previously recorded accelerated stock-based compensation expense due to the forfeitures of those stock options prior to vesting. In addition, in September 2003, the 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 June 30, 2004, there was a combined total of \$477,000 of deferred stock-based compensation remaining to be amortized as a result of these option grants. The Company expects stock-based compensation expense related to these specific option grants to impact its results of operations through 2006.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Cost of revenues	\$ 2	\$ 25	\$ 22	\$ 65
Sales and marketing	15	69	45	182
General and administrative	166	616	793	1,421
	<u>\$ 183</u>	<u>\$ 710</u>	<u>\$ 860</u>	<u>\$ 1,668</u>

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Net loss as reported	\$ (9,205)	\$ (21,203)	\$ (39,347)	\$ (46,756)
Stock-based compensation expense included in net loss	183	710	860	1,668
Stock-based compensation expense if SFAS No.123 had been adopted	(6,119)	(2,668)	(10,171)	(6,093)
Pro forma net loss	<u>\$ (15,141)</u>	<u>\$ (23,161)</u>	<u>\$ (48,658)</u>	<u>\$ (51,181)</u>
Basic and diluted net loss per share:				
As reported	\$ (0.51)	\$ (2.44)	\$ (2.33)	\$ (5.43)
Pro forma	(0.83)	(2.66)	(2.89)	(5.95)

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Dividend yield	0%	0%	0%	0%
Expected volatility	95%	135%	100%	135%
Risk-free interest rate	3.90%	3.75%	2.47%	3.75%
Expected life (in years)	3.19	3.50	3.49	3.50

The Company’s fair value calculations for employee’s stock purchase rights under the employee stock purchase plan 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 employee stock purchase plan was two years for all periods presented.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Goodwill and Other Intangible Assets

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

	June 30, 2004	December 31, 2003
	<u>(unaudited)</u>	
Goodwill	\$ 21,059	\$ 21,228
Other intangibles:		
Intangible asset – customer contracts	3,948	3,927
Intangible asset – tradename	304	300
Intangible asset – workforce	160	160
	<u>4,412</u>	<u>4,387</u>
Accumulated amortization	(3,168)	(2,106)
	<u>1,244</u>	<u>2,281</u>
	<u>\$ 22,303</u>	<u>\$ 23,509</u>

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

For the three and six months ended June 30, 2004, the Company recorded amortization expense of \$515,000 and \$1,029,000, respectively. For the three and six months ended June 30, 2003, the Company recorded amortization expense of \$519,000 and \$1,044,000, respectively. The Company expects to record the following amortization expense during the next five years (in thousands):

<u>Year ending:</u>	
2004	\$2,038
2005	60
2006	60
2007	60
2008	55
Total	<u>\$2,273</u>

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2. Santa Clara IBX Acquisition

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

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

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

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

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

3. Related Party Transactions

The majority of the Company’s Asia-Pacific revenues are generated in Singapore and a significant portion of the business in Singapore is transacted with entities affiliated with STT Communications, which is the Company’s single largest stockholder. For the three and six months ended June 30, 2004, revenues recognized with related parties, primarily entities affiliated with STT Communications, were \$1,303,000 and \$2,525,000, respectively, and as of June 30, 2004, accounts receivable with these related parties was \$960,000. For the three and six months ended June 30, 2004, costs and services procured with related parties, primarily entities affiliated with STT Communications, were \$367,000 and \$818,000, respectively, and as of June 30, 2004, accounts payable with these related parties was \$403,000. For the three and six months ended June 30, 2003, revenues recognized with entities affiliated with STT Communications were \$1,467,000 and \$3,007,000, respectively, and as of June 30, 2003, accounts receivable with entities affiliated with STT Communications was \$1,395,000. For the three and six months ended June 30, 2003, costs and services procured with entities affiliated with STT Communications were \$150,000 and \$271,000, respectively, and as of June 30, 2003, accounts payable with entities affiliated with STT Communications was \$445,000.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

4. Accounts Receivable

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

	June 30, 2004	December 31, 2003
	(unaudited)	
Accounts receivable	\$ 24,939	\$ 19,164
Unearned revenue	(12,082)	(8,671)
Allowance for doubtful accounts	(262)	(315)
	<u>\$ 12,595</u>	<u>\$ 10,178</u>

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

5. Property and Equipment

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

	June 30, 2004	December 31, 2003
	(unaudited)	
Leasehold improvements	\$ 387,123	\$ 383,574
IBX plant and machinery	65,318	64,557
Computer equipment and software	20,200	18,875
IBX equipment	43,487	40,023
Furniture and fixtures	1,979	1,979
	<u>518,107</u>	<u>509,008</u>
Less accumulated depreciation	(193,559)	(165,454)
	<u>\$ 324,548</u>	<u>\$ 343,554</u>

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 June 30, 2004 and December 31, 2003. Amortization of such warrants is included in depreciation expense.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

6. Accounts Payable and Accrued Expenses

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

	June 30, 2004	December 31, 2003
	(unaudited)	
Accounts payable	\$ 4,017	\$ 3,833
Accrued compensation and benefits	3,962	3,655
Accrued taxes	3,122	2,539
Accrued property and equipment	922	2,454
Accrued utility and security	2,155	2,017
Accrued professional fees	1,570	1,281
Accrued repairs and maintenance	766	634
Accrued restructuring charges	362	828
Accrued other	1,019	1,639
	<u>\$ 17,895</u>	<u>\$ 18,880</u>

7. Deferred Rent and Other Liabilities

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

	June 30, 2004	December 31, 2003
	(unaudited)	
Deferred rent	\$ 22,993	\$ 19,889
Other liabilities	1,976	2,133
	<u>\$ 24,969</u>	<u>\$ 22,022</u>

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

8. Debt Facilities

Convertible Secured Notes

On May 1, 2004, pursuant to the terms of the Convertible Secured Notes, the Company issued the third PIK Note to STT Communications in the amount of \$2,352,000, representing interest accrued from November 1, 2003 to April 30, 2004. The terms of this PIK Note are identical to the terms of the Convertible Secured Note issued on December 31, 2002. The PIK Note is due December 2007. The Company has considered the guidance of EITF Abstract No. 00-27, “Application of Issue No. 98-5 to Certain Convertible Instruments,” and has determined that the PIK Note does not contain a beneficial conversion feature as the fair value of the Company’s common stock on the date of issuance was less than the stock conversion ratio outlined in the Financing agreement. Through June 30, 2004, the Company has issued three PIK Notes to STT Communications totaling \$5,950,000. As of June 30, 2004, the initial Convertible Secured Note issued on December 31, 2002 plus all PIK Notes issued subsequently to STT Communications (collectively, the “Convertible Secured Notes”) are convertible into 3,917,018 shares of the Company’s common stock at any time at the option of STT Communications. After December 31, 2004 and through December 31, 2005, the Company may convert 95% of the Convertible Secured Notes and after December 31, 2005, the Company may convert 100% of the Convertible Secured Notes upon certain conditions, including if the closing price of the Company’s common stock exceeds \$32.12 per share for thirty consecutive trading days.

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, beginning August 15, 2004.

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 June 30, 2004, the Convertible Subordinated Debentures were convertible into 2,183,548 shares of the Company’s common stock. Holders of the Convertible Subordinated Debentures may convert their individual debentures into shares of the Company’s common stock only under any of the following circumstances:

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

- 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 contain two embedded derivatives, a bond parity clause and a contingent interest provision. The embedded derivatives had a zero fair value as of June 30, 2004. The Company will be remeasuring the embedded derivatives 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 \$2,973,000 as of June 30, 2004.

Credit Facility

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

Heller Loan Amendment

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

VLL Loan Amendment

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

Senior Notes

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

Crosslink Conversion

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

Loss on Debt Extinguishment and Conversion

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

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Maturities

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

	Convertible secured notes	Convertible subordinated debentures	Total
2004	\$ —	\$ —	\$ —
2005	—	—	—
2006	—	—	—
2007	35,950	—	35,950
2008 and thereafter	—	86,250	86,250
	35,950	86,250	122,200
Less amount representing unamortized discount	(3,132)	—	(3,132)
	\$ 32,818	\$ 86,250	\$ 119,068

9. Stockholders' Equity

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

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

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

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

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

10. Commitments and Contingencies

Leases and Lease Amendments

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

In May 2004, a wholly-owned subsidiary of the Company amended its lease for its Hong Kong IBX hub (the "Amendment to the Hong Kong IBX Lease"). Pursuant to the terms of the Amendment to the Hong Kong IBX Lease, the Company amended the term of the lease and the monthly rent payments due under the lease. In addition, the Company issued a guarantee to the landlord that the Company's wholly-owned Hong Kong subsidiary will comply with all terms of the amended lease for the remainder of the lease term. The remaining monthly lease payments covered under this guarantee total \$7.4 million as of June 30, 2004. In exchange for entering into the Amendment to the Hong Kong IBX Lease, the Company issued warrants to the landlord to purchase 100,000 shares of the Company's common stock at an exercise price of \$15.00 per share, which are immediately exercisable (the "Hong Kong Warrants"). The Hong Kong Warrants were valued at \$2,477,000 using the Black-Scholes option-pricing model, which will be amortized to rent expense over the remaining term of the lease. The following assumptions were used in determining the fair value of the Hong Kong Warrants: fair market value per share of \$28.13, dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 2.80% and a contractual life of seven years. The value of this warrant is included in other assets on the accompanying balance sheet as of June 30, 2004. For the three months ended June 30, 2004, the Company recorded \$65,000 of non-cash rent expense associated with the Hong Kong Warrants.

In June 2004, a wholly-owned subsidiary of the Company amended its lease for its Tokyo IBX hub (the "Amendment to the Tokyo IBX Lease"). Pursuant to the terms of the Amendment to the Tokyo IBX Lease, which is governed by Japanese law, the Company amended the monthly rent payments due under the lease for the remainder of the lease term commencing April 2004, resulting in a monthly reduction of 3.5 million Japanese yen.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Legal Actions

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

Estimated and Contingent Liabilities

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

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

11. Comprehensive Loss

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Net loss	\$ (9,205)	\$ (21,203)	\$ (39,347)	\$ (46,756)
Unrealized loss on available for sale securities	(109)	—	(123)	—
Foreign currency translation gain (loss)	(498)	218	(230)	(428)
Comprehensive loss	\$ (9,812)	\$ (20,985)	\$ (39,700)	\$ (47,184)

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

12. Segment Information

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

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Total revenues:				
United States	\$ 34,093	\$ 24,481	\$ 66,114	\$ 45,761
Asia-Pacific	5,330	3,953	10,129	8,108
	\$ 39,423	\$ 28,434	\$ 76,243	\$ 53,869
Cost of revenues:				
United States	\$ 29,361	\$ 26,233	\$ 58,799	\$ 51,498
Asia-Pacific	4,789	5,401	9,136	10,755
	\$ 34,150	\$ 31,634	\$ 67,935	\$ 62,253
Income (loss) from operations:				
United States	\$ (4,800)	\$ (11,623)	\$ (12,202)	\$ (28,227)
Asia-Pacific	(2,358)	(4,619)	(4,805)	(8,826)
	\$ (7,158)	\$ (16,242)	\$ (17,007)	\$ (37,053)

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

	June 30, 2004	December 31, 2003
United States	\$ 322,418	\$ 343,419
Asia-Pacific	35,654	34,825
	<u>\$ 358,072</u>	<u>\$ 378,244</u>

The Company's goodwill totaling \$21,059,000 and \$21,228,000 as of June 30, 2004 and December 31, 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) (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Colocation	\$ 27,205	\$ 18,337	\$ 52,011	\$ 35,854
Interconnection	7,383	4,707	14,320	8,609
Managed infrastructure	2,683	2,955	5,423	5,639
Recurring revenues	37,271	25,999	71,754	50,102
Non-recurring revenues	2,152	2,435	4,489	3,767
	<u>\$ 39,423</u>	<u>\$ 28,434</u>	<u>\$ 76,243</u>	<u>\$ 53,869</u>

Revenue from one customer accounted for 14% and 13%, respectively, of the Company's revenues for the three and six months ended June 30, 2004. Revenue from this same customer accounted for 15% and 16%, respectively, of the Company's revenues for the three and six months ended June 30, 2003. No other single customer accounted for more than 10% of the Company's revenues for the three and six months ended June 30, 2004 and 2003. Accounts receivables from the customer mentioned above accounted for 11% of the Company's gross accounts receivables as of June 30, 2004. No other single customer accounted for more than 10% of the Company's gross accounts receivables as of June 30, 2004 and 2003.

13. Recent Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. In December 2003, the FASB released a revised version of FIN 46 clarifying certain aspects of FIN 46 and providing certain entities with exemptions from the requirements of FIN 46. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period ending after March 15, 2004. The adoption of FIN 46 did not have a material impact on the Company's results of operations, financial position or cash flows.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. In November 2003, the FASB issued FASB Staff Position No. FASB 150-3 which deferred the measurement provisions of SFAS No. 150 indefinitely for certain mandatorily redeemable non-controlling interests that were issued before November 5, 2003. The FASB plans to reconsider implementation issues and, perhaps, classification or measurement guidance for those non-controlling interests during the deferral period. In 2003, the Company applied certain disclosure requirements of SFAS No. 150. To date, the impact of the effective provisions of SFAS No. 150 have not had a material impact on the Company's results of operations, financial position or cash flows. While the effective date of certain elements of SFAS No. 150 have been deferred, the adoption of SFAS No. 150 when finalized is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

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 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.

Item 2.

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

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

Overview

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

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

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

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunication products and services with their colocation offerings. During 2003, a number of these telecommunication carriers reduced their colocation footprint as they exited under-performing markets. In addition, one major telecommunications company, Sprint, announced their plans to exit the colocation and hosting market altogether to focus on their core service offerings, while another telecommunications

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company, Cable & Wireless Plc, sold their U.S. assets to another telecommunications company, Savvis Communications Corp, in a bankruptcy auction. Each of these colocation providers owns and operates a network. We do not operate a network, yet have greater than 190 networks operating out of our IBX hubs. As a result, we are able to offer our customers a substantial choice of networks given our network neutrality allowing our customers to choose from numerous network service providers thereby eliminating a single point of failure. We believe this is a distinct advantage we have over our telecommunications company competitors, especially when the telecommunications industry is experiencing many business challenges and changes as evidenced by the numerous bankruptcies and consolidations within this industry during the past several years. Furthermore, for those customers who do require a fully managed solution that these telecommunications companies typically provide, certain of our other customers, such as IBM and EDS, can provide such a solution within our network rich IBX hubs.

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

Recent Developments

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

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

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

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

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Critical Accounting Policies and Estimates

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

Results of Operations

Three Months Ended June 30, 2004 and 2003

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

	Three months ended June 30,			
	2004	%	2003	%
Recurring revenues	\$ 37,271	95%	\$ 25,999	91%
Non-recurring revenues:				
Installation and professional services	2,091	5%	1,307	5%
Other	61	0%	1,128	4%
	<u>2,152</u>	<u>5%</u>	<u>2,435</u>	<u>9%</u>
Total revenues	<u>\$ 39,423</u>	<u>100%</u>	<u>\$ 28,434</u>	<u>100%</u>

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

	Three months ended June 30,			
	2004	%	2003	%
U.S. revenues	\$ 34,093	86%	\$ 24,481	86%
Asia-Pacific revenues	5,330	14%	3,953	14%
Total revenues	<u>\$ 39,423</u>	<u>100%</u>	<u>\$ 28,434</u>	<u>100%</u>

We recognized revenues of \$39.4 million for the three months ended June 30, 2004 as compared to revenues of \$28.4 million for the three months ended June 30, 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 hubs they are billed on a fixed and recurring basis each month for the duration of their contract, which is generally one to three years in length. Our recurring revenues are a significant component of our total revenues comprising 95% of our total revenues for the three months ended June 30, 2004 as compared to 91% in the prior period. Historically, greater than half of our customers order new services each quarter and approximately half of our new orders each quarter are from our already installed customer base.

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

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the customer. Installation and professional services revenues increased 60% 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 832 as of June 30, 2004 versus 648 as of June 30, 2003, an increase of 28%. 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 41% as of June 30, 2004 from 30% as of June 30, 2003. Although we have substantial capacity for growth, our utilization rates vary from market to market among our 14 worldwide IBX hubs. We continue to monitor the available capacity in each of our selected markets. To the extent we have limited capacity available in a given market, it may limit our ability for growth in that market. Therefore, consistent with our acquisition of Sprint's Santa Clara property in December 2003 and our expansion into the Washington, D.C. metro area market in April 2004, we will continue to review our available space in our other operating markets.

U.S. Revenues. We recognized U.S. revenues of \$34.1 million for the three months ended June 30, 2004 as compared to \$24.5 million for the three months ended June 30, 2003. U.S. revenues consisted of recurring revenues of \$32.3 million and \$22.3 million, respectively, for the three months ended June 30, 2004 and 2003, a 45% increase. U.S. recurring revenues consist primarily of colocation and interconnection services plus a nominal amount of managed infrastructure services. U.S. recurring revenues for the three months ended June 30, 2004 included revenue generated from the recently acquired Santa Clara IBX hub. Excluding revenue from this acquired U.S. IBX hub, the period over period growth in recurring revenues was primarily the result of an increase in orders from both our existing customers and new customer growth acquired during the period as reflected in the growth in our customer count and weighted-average utilization rate as discussed above. We expect our U.S. recurring revenues to continue to grow and remain our most significant source of revenue for the foreseeable future.

In addition, U.S. revenues consisted of non-recurring revenues of \$1.8 million and \$2.2 million, respectively, for the three months ended June 30, 2004 and 2003. Non-recurring revenues are primarily related to the recognized portion of deferred installation, professional services and settlement fees associated with certain contract terminations. Included in U.S. non-recurring revenues are settlement fees of \$61,000 and \$1.1 million, respectively, for the three months ended June 30, 2004 and 2003. The \$1.1 million in settlement fees for the three months ended June 30, 2003 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 remain relatively flat or grow only moderately in the foreseeable future.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of \$5.3 million for the three months ended June 30, 2004 as compared to \$4.0 million for the three months ended June 30, 2003. Asia-Pacific revenues consisted of recurring revenues of \$5.0 million and \$3.7 million, respectively, for the three months ended June 30, 2004 and 2003, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of \$342,000 and \$213,000, respectively, for the three months ended June 30, 2004 and 2003. Asia-Pacific non-recurring revenues included \$30,000 of contract settlement revenue for the three months ended June 30, 2003. Asia-Pacific revenues are generated from Singapore, Tokyo, Hong Kong and Sydney with Singapore representing approximately 53% and 72%, respectively, of the regional revenues for the three months ended June 30, 2004 and 2003. Our Asia-Pacific colocation revenues are similar to the revenues that we generate from our U.S. IBX hubs; however, our Singapore IBX hub has additional managed infrastructure service revenue, such as mail service and managed platform solutions, which we do not currently offer in any other IBX hub location. The growth in our Asia-Pacific revenues is primarily the result of an increase in the customer base in this region during the past year, particularly in Tokyo and Sydney; however, this growth is partially offset by a decrease in low-margin bandwidth revenue in Singapore that is now largely behind us as of June 30, 2004. We expect our Asia-Pacific revenues to grow over the foreseeable future.

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Cost of Revenues. Cost of revenues were \$34.2 million for the three months ended June 30, 2004 as compared to \$31.6 million for the three months ended June 30, 2003, an 8% increase. The largest cost components of our cost of revenues are depreciation, rental payments related to our leased IBX hubs, utility costs including electricity and bandwidth, IBX employees' salaries and benefits, supplies and equipment and security services. A substantial majority of our cost of revenues are fixed in nature and do not vary significantly from period to period. However, there are certain costs, which are considered variable in nature, including utilities and supplies, that are directly related to growth of services in our existing and new customer base. Given a large component of our cost of revenues are fixed in nature, we anticipate any growth in revenues will have a significant incremental flow-through to gross profit.

U.S. Cost of Revenues. U.S. cost of revenues were \$29.4 million for the three months ended June 30, 2004 as compared to \$26.2 million for the three months ended June 30, 2003. U.S. cost of revenues included \$12.5 million of depreciation expense, stock-based compensation expense and accretion expense associated with our asset retirement obligation relating to our various and amortization expense associated with an intangible asset related to our Santa Clara IBX hub for the three months ended June 30, 2004. U.S. cost of revenues included \$12.9 million of depreciation expense, stock-based compensation expense and accretion expense associated with our asset retirement obligation relating to our various leaseholds for the three months ended June 30, 2003. Included in the U.S. cost of revenues for the three months ended June 30, 2004, were the operating costs associated with the Santa Clara IBX hub acquired on December 1, 2003. Excluding depreciation, stock-based compensation, accretion expense, amortization expense and the costs of operating the Santa Clara U.S. IBX hub, U.S. cost of revenues increased period over period to \$15.0 million for the three months ended June 30, 2004 from \$13.3 million for the three months ended June 30, 2003, a 13% increase. This increase is primarily the result of increasing utility costs in line with increasing customer installations and revenues attributed to this customer growth, as well as higher compensation costs, including general salary increases for our IBX staff. We continue to anticipate that our cost of revenues will increase in the foreseeable future as the occupancy levels in our U.S. IBX hubs increase, however as a percent of revenues, we anticipate our cost of revenues will continue to decline.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues were \$4.8 million for the three months ended June 30, 2004 as compared to \$5.4 million for the three months ended June 30, 2003. Asia-Pacific cost of revenues included \$982,000 of depreciation expense and non-cash rent expense associated with the value attributed to warrants issued to our landlord in connection with a lease amendment for our Hong Kong IBX hub for the three months ended June 30, 2004. Asia-Pacific cost of revenues included \$1.2 million of depreciation expense for the three months ended June 30, 2003. Excluding depreciation and non-cash rent expense, Asia-Pacific cost of revenues decreased period over period to \$3.8 million for the three months ended June 30, 2004 from \$4.2 million for the three months ended June 30, 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 and (ii) a decrease in operating costs in Singapore as a result of the asset sale of one of our two IBX hubs in Singapore that occurred during the fourth quarter of 2003, which left us with just one primary IBX hub in Singapore. Our Asia-Pacific costs of revenues are generated in Singapore, Tokyo, Hong Kong and Sydney. There are several managed IT infrastructure service revenue streams unique to our Singapore IBX hub, such as mail service and managed platform solutions, that are more labor intensive than our service offerings in the United States. As a result, our Singapore IBX hub has a greater number of employees than any of our other IBX hubs, and therefore, a greater labor cost relative to our other IBX hubs in the United States or other Asia-Pacific locations. We anticipate that our Asia-Pacific cost of revenues will experience moderate growth in the foreseeable future consistent with our anticipated growth in revenues over the course of the year.

Sales and Marketing. Sales and marketing expenses decreased to \$4.4 million for the three months ended June 30, 2004 from \$4.7 million for the three months ended June 30, 2003.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses remained relatively flat at \$3.2 million for the three months ended June 30, 2004 and 2003. Included in U.S. sales and marketing expenses were \$30,000 of stock-based compensation expense and amortization expense associated with an intangible asset in connection with our Santa Clara IBX hub for the three months ended June 30, 2004. Included in U.S. sales and marketing expenses was \$69,000 of stock-based compensation expense for the three months ended June 30, 2003. Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses remained relatively flat at \$3.2 million and \$3.1 million, respectively, for the

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three months ended June 30, 2004 and 2003. 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. Going forward, we expect to see U.S. sales and marketing spending increase nominally in absolute dollars, but decrease as a percent of revenues.

Asia-Pacific Sales and Marketing Expenses. Asia-Pacific sales and marketing expenses decreased to \$1.2 million for the three months ended June 30, 2004 as compared to \$1.5 million for the three months ended June 30, 2003. Included in Asia-Pacific sales and marketing expenses were \$460,000 and \$519,000, respectively, of amortization expense associated with several intangible assets associated with our Singapore operations for the three months ended June 30, 2004 and 2003. Excluding amortization expense, Asia-Pacific sales and marketing expenses decreased to \$778,000 during the three months ended June 30, 2004 down from \$975,000 in the prior period, primarily as a result of some nominal headcount reductions in the Singapore region over the course of the last year and an overall reduction in discretionary spending in this area. Our Asia-Pacific sales and marketing expenses consist of the same type of costs that we incur in our U.S. operations, namely compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. Our Asia-Pacific sales and marketing expenses are generated in Singapore, Tokyo, Hong Kong and Sydney. We expect that our Asia-Pacific sales and marketing expenses will remain relatively flat in the foreseeable future; however, amortization expense in connection with the Singaporean intangible assets will be completed at the end of 2004.

General and Administrative. General and administrative expenses decreased to \$8.0 million for the three months ended June 30, 2004 from \$8.4 million for the three months ended June 30, 2003.

U.S. General and Administrative Expenses. U.S. general and administrative expenses decreased to \$6.3 million for the three months ended June 30, 2004 as compared to \$6.7 million for the three months ended June 30, 2003. Included in U.S. general and administrative expenses were \$591,000 and \$1.7 million, respectively, of depreciation expense and stock-based compensation expense for the three months ended June 30, 2004 and 2003. Excluding depreciation and stock-based compensation expense, U.S. general and administrative expenses increased to \$5.8 million for the three months ended June 30, 2004, as compared to \$5.0 million for the prior period, a 15% increase. This increase is primarily due to increased professional service fees and other legal-related costs and expenses, including costs related to our Sarbanes-Oxley compliance initiatives, as well as higher compensation costs as a result of some headcount growth and salary increases. These increased costs are partially offset by some cost savings associated with the shutdown of an office in Honolulu that was completed in June 2003. General and administrative expenses, excluding depreciation and stock-based compensation, consist primarily of salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses such as our corporate headquarter office lease. Going forward, we expect to see U.S. general and administrative spending increase nominally in absolute dollars, but decrease as a percent of revenues.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses remained flat at \$1.7 million for the three months ended June 30, 2004 and 2003. Included in Asia-Pacific general and administrative expenses were \$86,000 and \$90,000, respectively, of depreciation expense for the three months ended June 30, 2004 and 2003. Our Asia-Pacific general and administrative expenses consist of the same type of costs that we incur in our U.S. operations, namely salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses. Our Asia-Pacific general and administrative expenses are generated in Singapore, Tokyo, Hong Kong and Sydney. Our Asia-Pacific headquarter office is located in Singapore. Most of the corporate overhead support functions that we have in the U.S. also reside in our Singapore office in order to support our Asia-Pacific operations. In addition, we have separate office locations in Tokyo and Hong Kong. We expect that our Asia-Pacific general and administrative expenses will remain relatively flat or experience only moderate growth for the foreseeable future.

Interest Income. Interest income increased to \$242,000 from \$66,000 for the three months ended June 30, 2004 and 2003, respectively. Interest income increased due to higher average cash, cash equivalent and short-term investment balances held in interest-bearing accounts during these periods.

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Interest Expense. Interest expense decreased to \$2.3 million from \$5.0 million for the three months ended June 30, 2004 and 2003, respectively. The decrease in interest expense was primarily attributable to the reduction in the principal balance outstanding on our credit facility during 2003 and 2004. These interest expense savings were partially offset by additional non-cash interest expense associated with the \$10.0 million 10% convertible secured notes issued on June 5, 2003 as a result of the Crosslink financing. However, during the quarter ended March 31, 2004, with the proceeds from the convertible debenture offering, we fully paid off the remaining credit facility and two other debt facilities, as well as fully redeemed the remaining 13% senior notes that were outstanding. In addition, in March 2004, the \$10.0 million 10% convertible secured notes issued in connection with the Crosslink financing were converted to 2.5 million shares of our common stock. As a result of these various repayments, redemption and conversion of our older debt facilities, which have been replaced with our \$86.3 million 2.5% convertible subordinated debentures, our interest expense commencing with the second quarter of 2004 has been significantly reduced.

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 three months ended June 30, 2004, we recorded \$6,000 of income tax expense representing alternative minimum tax that we expect we will have to pay. We have previously not incurred any significant income tax expense prior to 2004 since inception.

Six Months Ended June 30, 2004 and 2003

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

	Six months ended June 30,			
	2004	%	2003	%
Recurring revenues	\$ 71,754	94%	\$ 50,102	93%
Non-recurring revenues:				
Installation and professional services	3,734	5%	2,557	5%
Other	755	1%	1,210	2%
	4,489	6%	3,767	7%
Total revenues	\$ 76,243	100%	\$ 53,869	100%

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

	Six months ended June 30,			
	2004	%	2003	%
U.S. revenues	\$ 66,114	87%	\$ 45,761	85%
Asia-Pacific revenues	10,129	13%	8,108	15%
Total revenues	\$ 76,243	100%	\$ 53,869	100%

We recognized revenues of \$76.2 million for the six months ended June 30, 2004 as compared to revenues of \$53.9 million for the six months ended June 30, 2003, a 42% increase. We segment our business geographically between the U.S. and Asia-Pacific as further discussed below.

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

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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 46% 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 832 as of June 30, 2004 versus 648 as of June 30, 2003, an increase of 28%. Our weighted-average utilization rate represents the percentage of our cabinet space billing versus total cabinet space available. Our weighted-average utilization rate grew by 11% to 41% as of June 30, 2004 from 30% as of June 30, 2003. Although we have substantial capacity for growth, our utilization rates vary from market to market among our 14 worldwide IBX hubs. We continue to monitor the available capacity in each of our selected markets. To the extent we have limited capacity available in a given market, it may limit our ability for growth in that market. Therefore, consistent with our acquisition of Sprint's Santa Clara property in December 2003 and our expansion into the Washington, D.C. metro area market in April 2004, we will continue to review our available space in our other operating markets.

U.S. Revenues. We recognized U.S. revenues of \$66.1 million for the six months ended June 30, 2004 as compared to \$45.8 million for the six months ended June 30, 2003. U.S. revenues consisted of recurring revenues of \$62.5 million and \$42.5 million, respectively, for the six months ended June 30, 2004 and 2003, a 47% 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 six months ended June 30, 2004 included revenue generated from the recently acquired Santa Clara IBX hub. Excluding revenue from this acquired U.S. IBX hub, the period over period growth in recurring revenues was primarily the result of an increase in orders from both our existing customers and new customer growth acquired during the period as reflected in the growth in our customer count and weighted-average utilization rate as discussed above. We expect our U.S. recurring revenues to continue to grow and remain our most significant source of revenue for the foreseeable future.

In addition, U.S. revenues consisted of non-recurring revenues of \$3.6 million and \$3.2 million, respectively, for the six months ended June 30, 2004 and 2003. Non-recurring revenues are primarily related to the recognized portion of deferred installation, professional services and settlement fees associated with certain contract terminations. Included in U.S. non-recurring revenues are settlement fees of \$475,000 and \$1.2 million, respectively, for the six months ended June 30, 2004 and 2003. The \$475,000 in settlement fees for the six months ended June 30, 2004 primarily represented a bankruptcy court-mandated payment from Excite@Home. The \$1.2 million in settlement fees for the six months ended June 30, 2003 primarily represented bankruptcy court-mandated payments from both Worldcom and Excite@Home. Excluding any settlement fees that we may recognize in the future, we expect our U.S. non-recurring revenues to remain relatively flat or grow only moderately in the foreseeable future.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of \$10.1 million for the six months ended June 30, 2004 as compared to \$8.1 million for the six months ended June 30, 2003. Asia-Pacific revenues consisted of recurring revenues of \$9.2 million and \$7.6 million, respectively, for the six months ended June 30, 2004 and 2003, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of \$924,000 and \$553,000, respectively, for the six months ended June 30, 2004 and 2003. Asia-Pacific non-recurring revenues included \$280,000 and \$30,000, respectively, of contract settlement revenue for the six months ended June 30, 2004 and 2003. Asia-Pacific revenues are generated from Singapore, Tokyo, Hong Kong and Sydney with Singapore representing approximately 54% and 75%, respectively, of the regional revenues for the six months ended June 30, 2004 and 2003. Our Asia-Pacific colocation revenues are similar to the revenues

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that we generate from our U.S. IBX hubs; however, our Singapore IBX hub has additional managed infrastructure service revenue, such as mail service and managed platform solutions, which we do not currently offer in any other IBX hub location. The growth in our Asia-Pacific revenues is primarily the result of an increase in the customer base in this region during the past year, particularly in Tokyo and Sydney; however, this growth is partially offset by a decrease in low-margin bandwidth revenue in Singapore that is now largely behind us as of June 30, 2004. We expect our Asia-Pacific revenues to grow over the foreseeable future.

Cost of Revenues. Cost of revenues were \$67.9 million for the six months ended June 30, 2004 as compared to \$62.3 million for the six months ended June 30, 2003, a 9% increase. The largest cost components of our cost of revenues are depreciation, rental payments related to our leased IBX hubs, utility costs including electricity and bandwidth, IBX employees' salaries and benefits, supplies and equipment and security services. A substantial majority of our cost of revenues are fixed in nature and do not vary significantly from period to period. However, there are certain costs, which are considered variable in nature, including utilities and supplies, that are directly related to growth of services in our existing and new customer base. Given a large component of our cost of revenues are fixed in nature, we anticipate any growth in revenues will have a significant incremental flow-through to gross profit.

U.S. Cost of Revenues. U.S. cost of revenues were \$58.8 million for the six months ended June 30, 2004 as compared to \$51.5 million for the six months ended June 30, 2003. U.S. cost of revenues included \$25.2 million of depreciation expense, stock-based compensation expense, accretion expense associated with our asset retirement obligation relating to our various leaseholds and amortization expense associated with an intangible asset related to our Santa Clara IBX hub for the six months ended June 30, 2004. U.S. cost of revenues included \$25.3 million of depreciation expense, stock-based compensation expense and accretion expense associated with our asset retirement obligation relating to our various leaseholds for the six months ended June 30, 2003. Included in the U.S. cost of revenues for the six months ended June 30, 2004, were the operating costs associated with the Santa Clara IBX hub acquired on December 1, 2003. Excluding depreciation, stock-based compensation, accretion expense, amortization expense and the costs of operating the Santa Clara U.S. IBX hub, U.S. cost of revenues increased period over period to \$29.9 million for the six months ended June 30, 2004 from \$26.2 million for the six months ended June 30, 2003, a 14% increase. This increase is primarily the result of increasing utility costs in line with increasing customer installations and revenues attributed to this customer growth, as well as higher compensation costs, including general salary increases for our IBX staff. We continue to anticipate that our cost of revenues will increase in the foreseeable future as the occupancy levels in our U.S. IBX hubs increase, however as a percent of revenues, we anticipate our cost of revenues will continue to decline.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues were \$9.1 million for the six months ended June 30, 2004 as compared to \$10.8 million for the six months ended June 30, 2003. Asia-Pacific cost of revenues included \$1.8 million of depreciation expense and non-cash rent expense associated with the value attributed to warrants issued to our landlord in connection with a lease amendment for our Hong Kong IBX hub for the six months ended June 30, 2004. Asia-Pacific cost of revenues included \$2.5 million of depreciation expense for the six months ended June 30, 2003. Excluding depreciation and non-cash rent expense, Asia-Pacific cost of revenues decreased period over period to \$7.3 million for the six months ended June 30, 2004 from \$8.3 million for the six months ended June 30, 2003, a 12% 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 and (ii) a decrease in operating costs in Singapore as a result of the asset sale of one of our two IBX hubs in Singapore that occurred during the fourth quarter of 2003, which left us with just one primary IBX hub in Singapore. Our Asia-Pacific costs of revenues are generated in Singapore, Tokyo, Hong Kong and Sydney. There are several managed IT infrastructure service revenue streams unique to our Singapore IBX hub, such as mail service and managed platform solutions, that are more labor intensive than our service offerings in the United States. As a result, our Singapore IBX hub has a greater number of employees than any of our other IBX hubs, and therefore, a greater labor cost relative to our other IBX hubs in the United States or other Asia-Pacific locations. We anticipate that our Asia-Pacific cost of revenues will experience moderate growth in the foreseeable future consistent with our anticipated growth in revenues over the course of the year.

Sales and Marketing. Sales and marketing expenses decreased to \$9.1 million for the six months ended June 30, 2004 from \$9.4 million for the six months ended June 30, 2003.

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U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses remained relatively flat at \$6.6 million and \$6.5 million, respectively, for the six months ended June 30, 2004 and 2003. Included in U.S. sales and marketing expenses were \$75,000 of stock-based compensation expense and amortization expense associated with an intangible asset in connection with our Santa Clara IBX hub for the six months ended June 30, 2004. Included in U.S. sales and marketing expenses was \$182,000 of stock-based compensation expense for the six months ended June 30, 2003. Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses increased slightly to \$6.5 million from \$6.3 million, respectively, for the six months ended June 30, 2004 and 2003. 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. Going forward, we expect to see U.S. sales and marketing spending increase nominally in absolute dollars, but decrease as a percent of revenues.

Asia-Pacific Sales and Marketing Expenses. Asia-Pacific sales and marketing expenses decreased to \$2.5 million for the six months ended June 30, 2004 as compared to \$2.9 million for the six months ended June 30, 2003. Included in Asia-Pacific sales and marketing expenses were \$919,000 and \$1.1 million, respectively, of amortization expense associated with several intangible assets associated with our Singapore operations for the six months ended June 30, 2004 and 2003. Excluding amortization expense, Asia-Pacific sales and marketing expenses decreased to \$1.6 million during the six months ended June 30, 2004 down from \$1.8 million in the prior period, primarily as a result of some nominal headcount reductions in the Singapore region over the course of the last year and an overall reduction in discretionary spending in this area. Our Asia-Pacific sales and marketing expenses consist of the same type of costs that we incur in our U.S. operations, namely compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. Our Asia-Pacific sales and marketing expenses are generated in Singapore, Tokyo, Hong Kong and Sydney. We expect that our Asia-Pacific sales and marketing expenses will remain relatively flat in the foreseeable future; however, amortization expense in connection with the Singaporean intangible assets will be completed at the end of 2004.

General and Administrative. General and administrative expenses decreased to \$16.3 million for the six months ended June 30, 2004 from \$19.3 million for the six months ended June 30, 2003.

U.S. General and Administrative Expenses. U.S. general and administrative expenses decreased to \$13.0 million for the six months ended June 30, 2004 as compared to \$16.0 million for the six months ended June 30, 2003. Included in U.S. general and administrative expenses were \$1.9 million and \$5.0 million, respectively, of depreciation expense and stock-based compensation expense for the six months ended June 30, 2004 and 2003. Excluding depreciation and stock-based compensation expense, U.S. general and administrative expenses remained relatively flat at \$11.0 million for the six months ended June 30, 2004 and 2003. However, for the six months ended June 30, 2004, the Company has incurred higher professional service fees and other legal-related costs and expenses, including costs attributed to our Sarbanes-Oxley compliance initiatives, as well as higher compensation costs as a result of some headcount growth and salary increases, not incurred in the prior year. These increased costs, however, are offset by some cost savings associated with the shutdown of an office in Honolulu that was completed in June 2003, as well as our move to a new headquarter office from Mountain View to Foster City in March 2003. General and administrative expenses, excluding depreciation and stock-based compensation, consist primarily of salaries and related expenses, accounting, legal and administrative expenses, professional service fees and other general corporate expenses such as our corporate headquarter office lease. Going forward we expect to see U.S. general and administrative spending increase nominally in absolute dollars, but decrease as a percent of revenues.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses remained flat at \$3.3 million for the six months ended June 30, 2004 and 2003. Included in Asia-Pacific general and administrative expenses were \$203,000 and \$246,000, respectively, of depreciation expense for the six months ended June 30, 2004 and 2003. 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

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Singapore, Tokyo, Hong Kong and Sydney. Our Asia-Pacific headquarter office is located in Singapore. Most of the corporate overhead support functions that we have in the U.S. also reside in our Singapore office in order to support our Asia-Pacific operations. In addition, we have separate office locations in Tokyo and Hong Kong. We expect that our Asia-Pacific general and administrative expenses will remain relatively flat or experience only moderate growth for the foreseeable future.

Interest Income. Interest income increased to \$484,000 from \$136,000 for the six months ended June 30, 2004 and 2003, respectively. Interest income increased due to higher average cash, cash equivalent and short-term investment balances held in interest-bearing accounts during these periods.

Interest Expense. Interest expense decreased to \$6.4 million from \$9.8 million for the six months ended June 30, 2004 and 2003, respectively. The decrease in interest expense was primarily attributable to the reduction in the principal balance outstanding on our credit facility during 2003 and 2004. These interest expense savings were partially offset by additional non-cash interest expense associated with the \$10.0 million 10% convertible secured notes issued on June 5, 2003 as a result of the Crosslink financing. However, during the quarter ended March 31, 2004, with the proceeds from the convertible debenture offering, we fully paid off the remaining credit facility and two other debt facilities, as well as fully redeemed the remaining 13% senior notes that were outstanding. In addition, in March 2004, the \$10.0 million 10% convertible secured notes issued in connection with the Crosslink financing were converted to 2.5 million shares of our common stock. As a result of these various repayments, redemption and conversion of our older debt facilities, which have been replaced with our \$86.3 million 2.5% convertible subordinated debentures, our interest expense commencing with the second quarter of 2004 has been significantly reduced.

Loss on Debt Extinguishment and Conversion. In February 2004, with the proceeds from the convertible debenture offering, we fully paid off the remaining credit facility and two other debt facilities, as well as fully redeemed the remaining 13% senior notes that were outstanding at a premium of 106.5% through March 2004. In addition, in March 2004, the 10% \$10.0 million convertible secured notes issued in connection with the Crosslink financing were converted to 2.5 million shares of our common stock. As a result of these various repayments, redemption and conversion of our older debt facilities, we recorded a loss on debt extinguishment and conversion of \$16.2 million, comprised primarily of the write-off of the various debt issuance costs and discounts associated with these various debt facilities totaling \$13.7 million, as well as the premium paid to the holders of our 13% senior notes required to redeem these early and other cash transaction costs totaling \$2.5 million. There was no such debt extinguishment or conversion activity during the six months ended June 30, 2003.

Income Taxes. A full valuation allowance is recorded against our deferred tax assets as management cannot conclude, based on available objective evidence, when it is more likely than not that the gross value of its deferred tax assets will be realized. However, for the six months ended June 30, 2004, we recorded \$200,000 of income tax expense representing alternative minimum tax that we expect we will have to pay. We have previously not incurred any significant income tax expense prior to 2004 since inception.

Liquidity and Capital Resources

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

During February 2004, we sold \$86.3 million in aggregate principal of 2.5% convertible subordinated debentures due 2024 to qualified institutional buyers. We used the net proceeds from this offering to repay all amounts outstanding under our non-convertible debt as outlined below. All remaining proceeds will be used for general corporate purposes. We refer to this transaction as the “convertible debenture offering”. During March 2004, holders of our 10% \$10.0 million convertible secured notes issued in connection with the Crosslink financing, converted the \$10.0 million of principal into 2.5 million shares of our common stock. We refer to this transaction as the “Crosslink conversion”. We recorded a significant loss on debt extinguishment and conversion totaling \$16.2 million during the quarter ended March 31, 2004, primarily

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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 June 30, 2004, our principal source of liquidity was our \$92.4 million of cash, cash equivalents and short-term investments. We believe that this cash, coupled with our anticipated cash flows generated from operations, will be sufficient to meet our capital expenditure, working capital, debt service and corporate overhead requirements to meet the Company's currently identified business objectives.

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

Uses of Cash

Net cash provided by our operating activities was \$15.4 million for the six months ended June 30, 2004. Net cash used in our operating activities was \$22.2 million for the six months ended June 30, 2003. As described above, we have now reached and are moving beyond the inflection point in our business model whereby our revenues are now sufficient to cover our operating expenses and we are now generating cash from our operations. In prior periods, we used cash primarily to fund our net loss, including cash interest payments on our senior notes and credit facility, although the majority of the operating cash flows used during the six months ended June 30, 2003 related to the liquidation of accrued obligations at December 31, 2002 attributed to accrued merger and financing transactions and restructuring activities. In addition, we continue to experience strong collections of our accounts receivables, which is reflected in our days sales outstanding (DSO). Our DSO for the period ended June 30, 2004 was less than 30 days, while in the prior period, it was approximately 33 days. In the future, we expect our DSO to remain at the 30 to 35 day level. As described above, we expect that we will continue to generate cash from our operating activities throughout 2004 and beyond.

Net cash used in investing activities was \$39.1 million for the six months ended June 30, 2004. Net cash provided by investing activities was \$760,000 for the six months ended June 30, 2003. Net cash used in investing activities during the six months ended June 30, 2004 was primarily for the net purchase of short-term investments, as well as to fund capital expenditures to bring our recently acquired IBX hub in Santa Clara to Equinix standards and to support our growing customer base. Net cash provided by investing activities during the six months ended June 30, 2003 was primarily the result of the release of restricted cash to fund a cash interest payment on our senior notes in January 2003, offset by a nominal amount of capital expenditures. For 2004, we anticipate that our cash used in investing activities, excluding the purchase and sale of short-term investments, will be attributed to the funding of our capital expenditures.

Net cash generated by financing activities was \$14.8 million and \$4.5 million for the six months ended June 30, 2004 and 2003, respectively. Net cash generated by financing activities for the six months ended June 30, 2004, was primarily the result of the \$86.25 million in gross proceeds from our convertible debenture offering, offset by \$70.8 million in payments on our credit facility, senior notes and other debt facilities and capital lease obligations, as well as debt extinguishment costs associated with paying down these facilities. Net cash provided by financing activities during the six months ended June 30, 2003 was primarily the result of the \$10.0 million in proceeds from the Crosslink financing, partially offset by payments of our various debt facilities and capital lease obligations.

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Debt Obligations – Non-Convertible Debt

As of June 30, 2004, we no longer had any indebtedness from non-convertible debt. Prior to this, our non-convertible debt was comprised of our senior notes, credit facility, and other debt facilities and capital lease obligations as follows:

Senior Notes. In December 1999, we issued \$200.0 million aggregate principal amount of 13% senior notes due 2007. During 2002, we retired \$169.5 million of the senior notes in exchange for approximately 2.4 million shares of common stock and approximately \$21.3 million of cash. As of December 31, 2003, a total of \$30.5 million of senior note principal remained outstanding, which was presented, net of unamortized discount, on our balance sheet at \$29.2 million. In March 2004, with the net proceeds from our convertible debenture offering, we exercised our right to redeem all of our senior notes. The redemption price for the senior notes was equal to 106.5% of their principal amount, plus accrued and unpaid interest, to the redemption date. As a result, we recognized a loss on debt extinguishment on this transaction of \$3.8 million, comprised of the 6.5% premium that we paid to redeem the senior notes, the write-off of debt issuance costs and debt discount and other transaction fees.

Credit Facility. In December 2000, we entered into the credit facility with a syndicate of lenders under which, subject to our compliance with a number of financial ratios and covenants, we were permitted to borrow up to \$150.0 million, which was fully drawn down during 2001. This facility was amended at various times during 2001, 2002 and 2003. As of December 31, 2003, a total of \$34.3 million of principal remained outstanding under the credit facility. In February 2004, with the net proceeds from our convertible debenture offering, we repaid all amounts outstanding under our credit facility and terminated the credit facility. As a result, we recognized a loss on debt extinguishment on this transaction of \$4.4 million, comprised primarily of the write-off of debt issuance costs as well as some other transaction fees.

Other Debt Facilities and Capital Lease Obligations. In August 1999, we entered into a loan agreement with Venture Lending and Leasing in the amount of \$10.0 million and fully drew down on this amount. This loan agreement bore interest at 8.5% and was repayable over 42 months in equal monthly payments with a final interest payment equal to 15% of the advance amounts due on maturity. As of December 31, 2003, principal of \$847,000 remained outstanding. In March 2004, with the net proceeds from our convertible debenture offering, we paid off this other debt facility in full. As a result, we recognized a loss on debt extinguishment on this transaction of \$0.2 million, comprised of the write-off of debt issuance costs and discount as well as some other transaction fees.

In June 2001, we entered into a loan agreement with Heller Financial Leasing in the amount of \$5.0 million and fully drew down on this amount. This loan agreement bore interest at 13.0% and was repayable over 36 months. As of December 31, 2003, principal of \$2.5 million remained outstanding. In February 2004, with the net proceeds from our convertible debenture offering, we paid off this other debt facility in full. As a result, we recognized a loss on debt extinguishment on this transaction of \$0.2 million, comprised of the write-off of debt issuance costs and discount as well as some other transaction fees.

In December 2002, in conjunction with our merger with Pihana, we acquired multiple capital leases with Orix. The original amount financed was approximately \$3.5 million. These capital lease arrangements bore interest at an average rate of 6.4% per annum and were repayable over 30 months. As of December 31, 2003, principal of \$201,000 remained outstanding. These capital leases were fully paid down by March 31, 2004.

Debt Obligations – Convertible Debt

Convertible Secured Notes. In December 2002, in conjunction with the combination, STT Communications made a \$30.0 million strategic investment in the company in the form of a 14% convertible secured note due November 2007. The interest on the convertible secured note is payable in kind in the form of additional convertible secured notes, which we refer to as "PIK notes". During 2003 and through June 30, 2004, we have issued \$5.9 million in PIK notes. The convertible secured note and PIK notes issued to STT Communications are convertible into our preferred and common stock at a price of \$9.18 per underlying share, which represents 3.9 million shares as of June 30, 2004, and are convertible anytime at

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the option of STT Communications. After December 31, 2004 and through December 31, 2005, we may convert 95% of the STT Communications' convertible secured notes and after December 31, 2005, we may convert 100% of these convertible secured notes upon certain conditions, including if the closing price of our common stock exceeds \$32.12 per share for thirty consecutive trading days.

In June 2003, entities affiliated with Crosslink Capital made a \$10.0 million strategic investment in the company in the form of 10% convertible secured notes due November 2007. The interest on the convertible secured notes was payable in kind in the form of additional convertible secured notes commencing on the second anniversary of the closing of this transaction. In March 2004, the holders of these notes converted them into 2.5 million shares of our common stock. As a result, we recognized a loss on debt conversion on this transaction of \$7.6 million, comprised primarily of the write-off of debt discount.

As of June 30, 2004, a total of \$35.9 million of convertible secured notes were outstanding, which is presented, net of unamortized discount, on our balance sheet at \$32.8 million. All interest expense associated with our convertible secured notes, including the amortization of the unamortized discount of \$3.1 million, represents non-cash interest expense in our statements of operation and cash flow as no cash is expended for this interest.

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

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

Debt Maturities and Operating Lease Commitments

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

	Convertible secured notes	Convertible subordinated debentures	Operating leases	Total
2004	\$ —	\$ —	\$ 14,387	\$ 14,387
2005	—	—	32,534	32,534
2006	—	—	34,861	34,861
2007	35,950	—	35,383	71,333
2008	—	—	34,979	34,979
2009 and thereafter	—	86,250	251,733	337,983
	<u>\$ 35,950</u>	<u>\$ 86,250</u>	<u>\$ 403,877</u>	<u>\$ 526,077</u>

With respect to the operating lease for one of our New York metropolitan area IBXs, our landlord has the right to increase our rentable space on December 31, 2004 when the lease for the current tenant's

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portion of the aggregate property lease expires. As a result, commencing fiscal 2005, our total rent expense associated with this IBX hub could double. This increase in our operating lease commitments is reflected in the table presented above. We are currently working with this landlord, as well as the current tenant of that space, and expect to minimize this additional cost to us; however, there can be no assurances that we will be successful in reducing this commitment.

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

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

Recent Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46, or FIN 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. In December 2003, the FASB released a revised version of FIN 46 clarifying certain aspects of FIN 46 and providing certain entities with exemptions from the requirements of FIN 46. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period ending after March 15, 2004. The adoption of Fin 46 did not have a material impact on our results of operations, financial position or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. In November 2003, the FASB issued FASB Staff Position No. FASB 150-3 which deferred the measurement provisions of SFAS No. 150 indefinitely for certain mandatorily redeemable non-controlling interests that were issued before November 5, 2003. The FASB plans to reconsider implementation issues and, perhaps, classification or measurement guidance for those non-controlling interests during the deferral period. In 2003, we applied certain disclosure requirements of SFAS No. 150. To date, the impact of the effective provisions of SFAS No. 150 have not had a material impact on our results of operations, financial position or cash flows. While the effective date of certain elements of SFAS No. 150 have been deferred, the adoption of SFAS No. 150 when finalized is not expected to have a material impact on our financial position, results of operations or cash flows.

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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 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.

Other Factors Affecting Operating Results

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

Risks Related to Our Business

We have a limited operating history and we face challenges typically experienced by early-stage companies.

We were founded in June 1998 and did not recognize any revenue until November 1999. In October 2002, we entered into agreements to consummate a series of related acquisition and financing transactions. These transactions closed on December 31, 2002. Under the terms of these agreements, we combined our business with two similar businesses, that of i-STT Pte Ltd, or i-STT, and Pihana Pacific, Inc., or Pihana. We refer to this transaction as the combination. i-STT was founded in January 2000 and did not recognize any revenue until May 2000. Pihana was founded in June 1999 and did not recognize any revenue until June 2000. We expect that we will encounter challenges and difficulties frequently experienced by early-stage companies in new and rapidly evolving international markets, such as our ability to generate cash flow, hire, train and retain sufficient operational and technical talent, and implement our plan with minimal delays. We may not successfully address any or all of these challenges and our failure to do so would seriously harm our business plan and operating results, and affect our ability to raise additional funds.

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

We have incurred losses since inception and incurred losses of approximately \$21.6 million for 2002 (this includes the benefit of a gain on debt extinguishment of \$114.2 million), i-STT has incurred losses since inception and incurred losses of approximately \$8.0 million for 2002 and Pihana has incurred losses since inception and incurred losses of approximately \$148.5 million (this includes restructuring and impairment charges of \$113.3 million) for the same period. For the year ended December 31, 2003, the combined company incurred additional losses of \$84.2 million and for the six months ended June 30, 2004, the combined company incurred additional losses of \$39.3 million. Until the quarter ended September 30, 2003, the combined company did not generate cash from operations. There can be no guarantee that the combined company will become profitable and the combined company may continue to incur additional losses. Even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We expect our operating results to fluctuate.

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

- acquisition of additional IBX hubs;

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

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

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

Within the last 12 months, our common stock has traded between \$12.00 and \$37.54 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. After December 31, 2004 and through December 31, 2005, we may convert 95% of STT Communications' convertible secured notes and after December 31, 2005, we may convert 100% of these convertible secured notes upon certain conditions, including if the closing price of our common stock exceeds \$32.12 per share for thirty consecutive trading days. If these convertible secured notes are not converted, we will continue to issue the PIK notes associated with these convertible secured notes which will further dilute our other existing stockholders. Announcements may have a significant impact on the market price of our common stock. These announcements may include:

- our operating results;
- new issuances of equity, debt or convertible debt;
- developments in our relationships with corporate customers;

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

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, i-STT's sales outside North America represented approximately 100% of its revenues and Pihana's sales outside North America represented approximately 45% of its revenues. For the year ended December 31, 2003, the combined company recognized 15% of its revenues outside North America. For the six months ended June 30, 2004, the combined company recognized 13% of its revenues outside North America. We anticipate that, for the foreseeable future, approximately 15% of the combined company's revenues will be derived from sources outside North America. Our management team is comprised primarily of Equinix executives before the combination, some of whom have had limited or no experience overseeing international operations.

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

We may experience gains and losses resulting from fluctuations in foreign currency exchange rates. To date, the majority of Equinix's revenues and costs have been denominated in U.S. dollars, the majority of i-STT's revenues and costs have been denominated in Singapore dollars and the majority of Pihana's revenues and costs have been denominated in U.S. dollars, Japanese yen and Australia, Hong Kong and Singapore dollars. Although the combined company may undertake foreign exchange hedging transactions to reduce foreign currency transaction exposure, it does not currently intend to eliminate all foreign currency transaction exposure. Where our prices are denominated in U.S. dollars, our sales could be adversely affected by declines in foreign currencies relative to the U.S. dollar, thereby making our products more expensive in local currencies. Our international operations are generally subject to a number of additional risks, including:

- costs of customizing IBX hubs for foreign countries;

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

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

We may seek to acquire additional IBX centers, complementary businesses, products, services and technologies. As a result of these acquisitions, we may be required to incur additional debt and expenditures and issue additional shares of our stock to pay for the acquired business, product, service or technology, which will dilute our existing stockholders' ownership interest and may delay, or prevent, our profitability. These acquisitions may also expose us to risks such as:

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

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

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

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

As of June 30, 2004, STT Communications owned approximately 24% of our outstanding voting stock. In addition, STT Communications is not prohibited from buying shares of our stock in public or private transactions. Because of the diffuse ownership of our stock, STT Communications has significant influence over matters requiring our stockholder approval. Following the expiration on December 31, 2004 of restrictions on STT Communications preventing it from converting its convertible secured notes and warrants into voting stock, STT Communications may own more than 40% of our voting stock. As a result, STT Communications will be able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could prevent or delay a third party from acquiring or merging with us. STT also has a right of first offer which entitles them to participate in an offering of our equity securities, or securities convertible into our equity securities, to maintain their ownership percentage prior to such offering.

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

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

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

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

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

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

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

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

In the past, a substantial portion of i-STT's financing, as well as its revenues, has been derived from its affiliates, including STT Communications. We continue to have contractual and other business relationships and may engage in material transactions with affiliates of STT Communications. Circumstances may arise in which the interests of STT Communications' affiliates may conflict with the interests of our other stockholders. In addition, Singapore Technologies Pte Ltd, an affiliate of STT Communications, makes investments in various companies; it has invested in the past, and may invest in the future, in entities that compete with us. In the context of negotiating commercial arrangements with affiliates, conflicts of interest have arisen in the past and may arise, in this or other contexts, in the future. We cannot assure you that any conflicts of interest will be resolved in our favor.

A significant number of shares of our capital stock have been issued during 2002 and 2003 and may be sold in the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

We issued a large number of shares of our capital stock to the former Pihana stockholders, STT Communications, and holders of our senior notes in connection with the combination, financing and senior note exchange, to Crosslink Capital, Inc. and its affiliates (collectively, "Crosslink") in connection with Crosslink's purchase of our Series A-2 Convertible Secured Notes, and to the public and STT Communications in connection with our recent follow-on equity offering. The shares of common stock issued in the senior note exchange are currently freely tradeable. The shares of common stock issued in connection with the combination have been registered for resale as of June 30, 2003, the shares of common stock issued upon exercise of the warrants issued in connection with the Crosslink financing have been registered for resale as of September 22, 2003 and the shares of common stock issued upon conversion of the convertible secured notes issued in the Crosslink financing have been registered for resale as of July 30, 2004. The shares sold to the public and STT Communications in connection with our recent follow-on equity offering are freely tradeable by the public, subject, in the case of STT Communications, to compliance with Rule 144 resale restrictions applicable to affiliates. Subject to the restrictions described in our proxy statement dated December 12, 2002, the convertible secured notes and warrants issued in connection with the financing are immediately convertible or exercisable into shares of common stock and the underlying shares of common stock may be registered for resale. 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 June 30, 2004, STT Communications held 2,970,414 shares of our common stock and held securities convertible into 6,751,359 additional shares of our common stock. STT Communications has pledged to its lenders its ownership interest in the majority of its secured notes and warrants purchased in the financing and its common and preferred stock issued in the combination as collateral for its secured credit facility. If STT Communications defaults on its credit facility, the stock, warrants and secured notes owned by STT Communications could be transferred to its lenders or sold to third parties. In the event of default, the new owner of the secured notes and warrants could convert them into our common stock and sell them, along with the common stock, into the public market. Sales of a substantial number of shares of our common stock by these parties within any narrow period of time could cause our stock price to fall. In addition, the issuance of the additional shares of our common stock as a result of these transactions will reduce our earnings per share, if any.

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

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

We are not a telecommunications carrier, and as such we rely on third parties to provide our customers with carrier services. We rely primarily on revenue opportunities from the telecommunications carriers' customers to encourage them to invest the capital and operating resources required to build facilities from their locations to our IBX hubs. Carriers will likely evaluate the revenue opportunity of an IBX hub based on the assumption that the environment will be highly competitive. We cannot assure you that any carrier will elect to offer its services within our IBX hubs or that once a carrier has decided to provide Internet connectivity to our IBX hubs that it will continue to do so for any period of time.

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

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

Our business depends on providing customers with highly reliable service. We must protect customers' IBX infrastructure and customers' equipment located in our IBX hubs. We have recently acquired two IBX hubs not built by us. If these recently acquired IBX hubs and acquired assets are not in the condition we believe them to be in, we may be required to incur substantial additional costs to repair the acquired facilities. The services we provide in each of our IBX hubs, whether recently acquired or not, are subject to failure resulting from numerous factors, including:

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

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

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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.

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 six months ended June 30, 2004, IBM accounted for 13% of our revenue. For the six months ended June 30, 2003, IBM accounted for 16% of our revenue. We expect that IBM will continue to account for a significant portion of our revenue for the foreseeable future, although we expect revenues received from IBM to decline as a percentage of our total revenues as we add new customers in our IBX hubs. Although the term of our IBM contract runs through 2009, IBM currently has the right to reduce its commitment to us pursuant to the terms and requirements of its customer agreement. If we lose IBM as a customer, our business, financial condition and results of operations could be adversely affected.

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

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

Because of their greater financial resources, some of our competitors have the ability to adopt aggressive pricing policies, especially if they have been able to restructure their debt or other obligations. As a result, in the future, we may suffer from pricing pressure that would adversely affect our ability to generate revenues and adversely affect our operating results. In addition, these competitors could offer

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colocation on neutral terms, and may start doing so in the same metropolitan areas where we have IBX hubs. Some of these competitors may also provide our target customers with additional benefits, including bundled communication services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our IBX hubs. We believe our neutrality provides us with an advantage over these competitors. However, if these competitors were able to adopt aggressive pricing policies together with offering colocation space, our ability to generate revenues would be materially adversely affected.

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

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

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

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

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

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

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

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Risks Related to Our Industry

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

Acceptance and use of the Internet may not continue to develop at historical rates and a sufficiently broad base of consumers may not adopt or continue to use the Internet and other online services as a medium of commerce. Demand for Internet services and products are subject to a high level of uncertainty and are subject to significant pricing pressure, especially in Asia-Pacific. As a result, we cannot be certain that a viable market for our IBX hubs will materialize. If the market for our IBX hubs grows more slowly than we currently anticipate, our revenues may not grow and our operating results could suffer.

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

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

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

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Interest Rate Risk

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

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

The fair market value of our convertible subordinated debentures is based on quoted market prices. The estimated fair value of our convertible subordinated debentures as of June 30, 2004 approximated cost at approximately \$86.3 million.

Foreign Currency Risk

Prior to December 31, 2002, all of our recognized revenue had been denominated in U.S. dollars, generated mostly from customers in the U.S., and our exposure to foreign currency exchange rate fluctuations had been minimal. However, commencing in fiscal 2003, as a result of the combination, approximately 15% of our revenues and approximately 18% of our costs were in the Asia-Pacific region, and a large portion of those revenues and costs were denominated in a currency other than the U.S. dollar, primarily the Singapore dollar, Japanese yen and Hong Kong and Australian dollars. As a result, our operating results and cash flows will be impacted due to currency fluctuations relative to the U.S. dollar. Going forward, we continue to expect that approximately 15% of our revenues and costs will continue to be generated and incurred in the Asia-Pacific region in currencies other than the U.S. dollar, similar to 2003.

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

Commodity Price Risk

Certain operating costs incurred by us are subject to price fluctuations caused by the volatility of underlying commodity prices. The commodities most likely to have an impact on our results of operations in the event of significant price changes are electricity and supplies and equipment used in our IBX hubs. We are closely monitoring the cost of electricity, particularly in California. We do not employ forward contracts or other financial instruments to hedge commodity price risk.

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

(a) Modification of Constituent Instruments.

None.

(b) Change in Rights.

None.

(c) Issuance of Securities.

None.

(d) Use of Proceeds.

None.

(e) Share Repurchases.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

The Annual Meeting of Stockholders of the Company was held on June 3, 2004 in Foster City, California. The table below presents the voting results of election of our Board of Directors:

	<u>Affirmative Votes</u>	<u>Negative Votes</u>	<u>Votes Withheld</u>	<u>Broker's Non-Votes</u>
Gary Hromadko	18,352,178	—	476,182	—
Scott Kriens	15,412,954	—	3,415,406	—
Andrew Rachleff	18,786,954	—	41,406	—
Dennis Raney	18,787,606	—	40,754	—
Peter Van Camp	18,721,015	—	107,345	—
Michelangelo Volpi	15,416,863	—	3,411,497	—

The stockholders also approved the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2004. The table below presents the voting results:

	<u>Affirmative Votes</u>	<u>Negative Votes</u>	<u>Votes Withheld</u>	<u>Broker's Non-Votes</u>
Ratification of independent registered public accounting firm	18,740,726	84,485	3,150	—

The stockholders also approved the 2004 Employee Stock Purchase Plan and International Employee Stock Purchase Plan as successor plans to the 2000 Employee Stock Purchase Plan adopted at the time of our initial public offering. The table below presents the voting results:

	<u>Affirmative Votes</u>	<u>Negative Votes</u>	<u>Votes Withheld</u>	<u>Broker's Non-Votes</u>
Approval of the 2004 Employee Stock Purchase Plan and International Employee Stock Purchase Plan	14,607,458	1,063,053	6,172	3,151,677

The stockholders also re-approved the 2000 Stock Incentive Plan to satisfy a requirement under Federal tax law in order to preserve corporate tax deductions. The table below presents the voting results:

	<u>Affirmative Votes</u>	<u>Negative Votes</u>	<u>Votes Withheld</u>	<u>Broker's Non-Votes</u>
Re-approval of the 2000 Stock Incentive Plan	14,977,980	693,458	5,245	3,151,677

Item 5. Other Information.

None.

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

(a) Exhibits.

<u>Exhibit Number</u>	<u>Description of Document</u>
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.

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<u>Exhibit Number</u>	<u>Description of Document</u>
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.

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.61 (9)	Tenancy Agreement over units #06-01, #06-05, #06-06, #06-07 and #06-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.62 (9)	Tenancy Agreement over units #05-05, #05-06, #05-07 and #05-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.63 (9)	Tenancy Agreement over units #03-01 and #03-02 of Block 28 Ayer Rajah Crescent, Singapore 139959.
10.64 (9)	Tenancy Agreement over units #05-01, #05-02, #05-03 and #05-04 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.65 (9)	Tenancy Agreement over units #03-05, #03-06, #03-07 and #03-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.69 (9)	Lease Agreement with Downtown Properties, LLC dated April 10, 2000, as amended.
10.70 (9)	Lease Agreement with Comfort Development Limited dated November 10, 2000.
10.71 (9)	Lease Agreement with PacEast Telecom Corporation dated June 15, 2000, as amended.
10.72 (9)	Lease Agreement Lend Lease Real Estate Investments Limited dated October 20, 2000.
10.73 (9)	Lease Agreement with AIPA Properties, LLC dated November 1, 1999, as amended.
10.74 (9)	Third Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of September 30, 2002.
10.75 (9)	Registration Rights Agreement by and among Equinix and the Initial Purchasers, dated as of December 31, 2002.
10.76 (9)	Securities Purchase Agreement by and among Equinix, the Guarantors and the Purchasers, dated as of October 2, 2002.
10.77 (9)	Series A-1 Convertible Secured Note Due 2007 issued to i-STT Investments Pte Ltd on December 31, 2002.
10.78 (9)	Preferred Stock Warrant issued to i-STT Investments Pte Ltd on December 31, 2002.
10.79 (9)	Change in Control Warrant issued to i-STT Investments Pte Ltd on December 31, 2002.
10.83 (11)	Securities Purchase and Admission Agreement, dated April 29, 2003, among Equinix, certain of Equinix's subsidiaries, i-STT Investments Pte Ltd, STT Communications Ltd and affiliates of Crosslink Capital.
10.84 (12)	Sublease by and between Electronics for Imaging as Landlord and Equinix Operating Co., Inc. as Tenant dated February 12, 2003.
10.90 (13)	Expatriate Agreement with Philip Koen, President and Chief Operating Officer of the Company, dated as of June 24, 2003.

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.92 (14)	Renewal of Tenancy Agreements over units #06-01, #06-05/08, #05-05/08, #03-05/08 & #05-01/04 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.94 (15)	Fourth Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of November 21, 2003.
10.95 (15)+	Sublease Agreement between Sprint Communications Company, L.P. and Equinix Operating Co., Inc. dated October 24, 2003.
10.96 (15)	Tenancy Agreement over units #03-01, #03-02, #03-03, #03-04 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.97 (15)	Lease Agreement with JMA Robinson Redevelopment, LLC, as successor in interest to Carrier Central L.A., Inc., dated as of November 30, 2003.
10.98 (16)	Purchase Agreement between Equinix, Inc. and Citigroup Global Markets Inc. as representative of the initial purchasers named therein dated February 5, 2004.
10.99 (16)	Indenture among Equinix, Inc. and U.S. Bank National Association as Trustee dated February 11, 2004.
10.100 (16)	Registration Rights Agreement between Equinix, Inc. and Citigroup Global Markets Inc. as representative of the initial purchasers named therein dated February 11, 2004.
10.101 (16)	First Amendment to Lease Agreement dated September 1, 1999, between Lakeside Purchaser L.L.C. as successor in interest to Carlyle-Core Chicago, LLC and Equinix Operating Co., Inc.
10.102 (17)	Supplemental Lease Agreement with Comfort Development Limited dated May 18, 2004.
10.103+	Lease Agreement dated April 21, 2004 between Eden Ventures LLC and Equinix, Inc.
10.104	Lease Amendment Agreement dated June 17, 2004 between Equinix Japan KK and Mitsubishi Electric Information Network Corporation.
10.105	Equinix, Inc. 2004 International Employee Stock Purchase Plan effective as of June 3, 2004.
10.106	Equinix, Inc. Employee Stock Purchase Plan effective as of June 3, 2004.
16.1 (1)	Letter regarding change in certifying accountant.
21.1 (9)	Subsidiaries of Equinix.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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).

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- (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).
- + Confidential treatment has been requested for certain portions which are omitted in the copy of the exhibit electronically filed with the Securities and Exchange Commission. The omitted information has been filed separately with the Securities and Exchange Commission pursuant to Equinix's application for confidential treatment.

- (b) Reports on Form 8-K.

On April 22, 2004, the Company filed a Current Report on Form 8-K to file the Company's press release from April 22, 2004, in which the Company reported its 2004 first quarter results.

EQUINIX, INC.

SIGNATURES

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

EQUINIX, INC.

Date: August 2, 2004

By:

/s/ RENEE F. LANAM

Chief Financial Officer and Secretary
(Principal Financial Officer)

/s/ KEITH D. TAYLOR

Vice President, Finance
(Principal Accounting Officer)

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

DEED OF LEASE
BY AND BETWEEN
EDEN VENTURES LLC
AND
EQUINIX, INC.

BUILDING 1, ASHBURN BUSINESS PARK

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EXHIBITS

- A Description of Land
- A-1 Floor Plan of Premises
- A-2 Plan Showing Connector Work
- A-3 Fiber Conduits
- A-4 Power Conduits
- A-5 List of Equipment
- A-6 Reserved Parking
- B Declaration Affirming The Lease Commencement Date
- C Landlord's Work
- D Form Letter of Credit

DEED OF LEASE

THIS DEED OF LEASE (the "*Lease*") is made as of the 21 day of April, 2004 (the "*Effective Date*"), by and between EDEN VENTURES LLC, a Delaware limited liability company (hereinafter referred to as "*Landlord*"), and EQUINIX, INC., a Delaware corporation (hereinafter referred to as "*Tenant*").

RECITALS:

A. Landlord is the owner of a data center facility known as Building 1, Ashburn Business Park located at 44470 Chilum Place, Ashburn, Virginia (the "*Building*") and situated on certain real property legally described on Exhibit A attached hereto (the "*Land*"). Landlord is also the owner of a data center facility known as Building 2, Ashburn Business Park ("*Building 2*"), located adjacent, and by virtue of a connector (the "*Connector*") connected to the Building and a flex office facility known as Building 3, Ashburn Business Park ("*Building 3*"), also situated on the Land. The Land, the Building, Building 2 and Building 3, together with all improvements thereon and appurtenances thereto, including associated parking facilities, landscaped areas and associated facilities are hereinafter referred to as the "*Project*."

B. Tenant desires to lease all the rentable area in the Building and a portion of the Connector, and Landlord is willing to rent all the rentable area in the Building and a portion of the Connector to Tenant, upon the terms, conditions, covenants and agreements set forth herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby covenant and agree as follows:

ARTICLE I THE PREMISES

1.1 Landlord hereby leases and demises to Tenant and Tenant hereby leases and accepts from Landlord the entire Building (including service areas) and a portion of the Connector as the same is depicted on the floor plan attached as Exhibit A-1 and consisting in the aggregate of approximately 95,440 square feet of rentable area (the "*Premises*"), for the term and upon the terms and conditions hereinafter set forth. The rentable area in the Premises shall be determined by Landlord's architect in accordance with the 1996 BOMA calculation method, subject to the confirmation by Tenant's architect. Landlord shall deliver to Tenant "CAD" drawings for the Premises using Autocad version 14 or other Autocad readable software.

1.2 Subject to the terms of this Lease, Tenant will have the non-exclusive right to use the public and common areas and facilities in the Project and on the Land (the "*Common Areas*"). Tenant shall further have the non-exclusive right, at no cost to Tenant, to use, in common with the occupants of Building 2, and, subject to reasonable rules and regulations imposed by Landlord, the freight elevator located in the Building 2 portion of the Connector.

1.3 Tenant acknowledges that Tenant is fully familiar with the physical condition of the Premises and that, except as expressly provided herein, Landlord makes no representation or warranty express or implied, with respect to the Premises and Tenant agrees that it takes the

Premises "AS IS," in its condition as of March 30, 2004, without any such representation or warranty, including, without limitation, any implied warranties. 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, (iii) the electrical distribution system for the Premises is adequate in all respects to support a total load of [*] and a critical load of [*], and (iv) 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. A list of equipment existing in the Premises is attached as **Exhibit A-5**.

ARTICLE II TERM

2.1 This Lease shall take effect on the Effective Date and each provision of this Lease shall be binding upon and inure to the benefit of Landlord and Tenant from the Effective Date. The term of this Lease (hereinafter referred to as the "**Lease Term**") shall commence on the Lease Commencement Date, as determined pursuant to Section 2.2 below, and for a period of fifteen (15) years thereafter, unless such Lease Term shall be extended, renewed or terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Lease Commencement Date shall occur on a day other than the first day of a month, the first (1st) Lease Year (defined below) shall commence on such date and continue for the balance of such month and for a period of twelve (12) months thereafter. The term "**Lease Term**" shall include any and all renewals and extensions of the term of this Lease.

2.2 The "**Lease Commencement Date**" shall be November 1, 2004. Promptly after the Lease Commencement Date, Landlord and Tenant shall execute a written declaration setting forth the Lease Commencement Date and the date upon which the Lease Term will expire and the square feet of rentable area in the Premises. The form of such declaration is attached hereto as **Exhibit B** and made a part hereof.

2.3 For purposes of this Lease, the term "**Lease Year**" shall mean either (a) each period of twelve (12) consecutive calendar months commencing on the first day of the month immediately following the month in which the Lease Commencement Date occurs, and on each anniversary of such date, except that the first Lease Year shall also include the period from the Lease Commencement Date to the first day of the following month; or (b) if the Lease Commencement Date shall occur on the first day of a calendar month, each period of twelve (12) consecutive calendar months commencing on the Lease Commencement Date and on each anniversary of such date; whichever is applicable.

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

2.4 Subject to the terms and conditions of this Lease, Landlord shall permit, upon reasonable advance notice to Landlord, Tenant access to the Premises at any time after May 15, 2004 so that Tenant can perform necessary inspections and investigations of the Premises, measure the Premises or verify Landlord's measurement of the Premises, and after June 1, 2004 to construct improvements required by Tenant and install trade fixtures and equipment and all cables and wires necessary for Tenant's business; provided, however, that Tenant shall not, subject to the provisions of Section 8.5 below, have access to the Building roof until August 1, 2004 ("**Access Date**"). Tenant's entry shall not accelerate the Lease Commencement Date; however, from and after the Effective Date first above written Tenant shall be subject to all the terms and conditions of this Lease except for the payment of Base Rent or Additional Rent. Prior to entry, Tenant shall furnish to Landlord evidence satisfactory to Landlord that the insurance coverage required of Tenant under the provisions of Section 12.2 are in effect. In performing the Tenant installations, Tenant and its contractors shall not delay or otherwise inhibit performance of Landlord's Work. Landlord shall cause its architect, engineers and contractors to cooperate with Tenant as to the Tenant installations. All work performed by Tenant's contractors in the Premises shall be coordinated with Landlord and subject to Landlord's reasonable scheduling requirements.

**ARTICLE III
BASE RENT**

3.1 From and after the Lease Commencement Date, Tenant shall pay to Landlord as annual base rent ("**Base Rent**") for the Premises, without set off, deduction or demand except as otherwise specifically set forth herein, an amount equal to the product of [*] multiplied by the total number of square feet of rentable area in the Premises as set forth in Section 1.1 (as the same may be modified in accordance with Section 1.3), which amount shall be increased as provided in Section 3.2 below. The annual Base Rent payable hereunder during each Lease Year shall be divided into equal monthly installments and such monthly installments shall be due and payable in advance on the first day of each month during such Lease Year. Concurrently with the signing of this Lease, Tenant shall pay to Landlord a deposit in the sum of one (1) full calendar month's rent, which sum shall be applied by Landlord toward annual Base Rent first due hereunder.

3.2 Commencing on the first (1st) day of the second (2nd) Lease Year and on the first day of each and every Lease Year thereafter during the Lease Term, the annual base rent shall be increased by [*] of the amount of annual base rent payable for the preceding Lease Year.

3.3 All rent shall be paid to Landlord in legal tender of the United States at the address to which notices to Landlord are to be given or to such other address as Landlord may designate from time to time by written notice to Tenant. If Landlord shall at any time accept rent after it shall come due and payable, such acceptance shall not excuse a delay upon subsequent occasions, or constitute or be construed as a waiver of any of Landlord's rights hereunder.

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

**ARTICLE IV
ADDITIONAL RENT**

4.1 From and after the Lease Commencement Date, Tenant shall pay, as additional rent, (i) all expenses incurred (directly or indirectly) in the use, operation and maintenance of the Building, and (ii) Tenant's prorata share, based on the rentable area of the Building as compared to the rentable area of all buildings and other improvements located on the Land, of all expenses incurred in connection with the use, operation and maintenance of the Land, exclusive of the buildings and other improvements located thereon, including without limitation the following: electricity, gas, water, sewer, storm water, fuel and other reasonable utility charges; premiums and other charges for insurance (including, but not limited to, property insurance, rent loss insurance and liability insurance); all costs incurred in connection with service and maintenance contracts; capital expenditures incurred as a result of ordinary wear and tear and in connection with Tenant's performance of its repair, replacement or maintenance obligations under this Lease; charges for security, janitorial, char and cleaning services and supplies furnished to or for the Building, if any; costs of maintaining any Common Areas and facilities or service amenities benefiting the Building; expenses of landscaping and grounds maintenance; Taxes; the cost of Landlord performing its maintenance, repair and replacement obligations under this Lease; a management fee of [*] per year, payable in equal monthly installments of ["] each, such fee to be escalated as and when Base Rent is escalated pursuant to Section 3.2 above; and any other expense incurred in maintaining, repairing or operating the Building and Land for its intended purpose ("*Expenses*"). Notwithstanding the foregoing, (i) commencing on the Access Date, Tenant shall pay all costs of electricity, and (ii) Tenant shall not be obligated to pay any portion of the following items:

(a) Sums paid to subsidiaries or other affiliates of Landlord for services on or to the Land, Building and/or Premises, but only to the extent that the costs of such services exceed the competitive cost for such services rendered by persons or entities of similar skill, competence and experience.

(b) Advertising and promotional expenditures.

(c) Landlord's charitable and political contributions.

(d) Ground lease rental.

(e) All costs of purchasing or leasing major sculptures, paintings or other major works or objects of art.

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

(f) Any expenses for which Landlord has received actual reimbursement, and any expenses for which Landlord is entitled to receive reimbursement from tenants pursuant to the terms of their respective leases.

(g) Costs incurred by Landlord in connection with the correction of defects in design and original construction of the Building or Land.

(h) The cost (including any amortization thereof) of any repairs, improvements, alterations or equipment which would be properly classified as capital expenditures according to generally accepted accounting principles and practices, except for (i) any capital expenditures resulting from ordinary wear and tear, (ii) amortization of the cost of equipment which is not affixed to the Building and is used in providing janitorial or similar services, and (iii) rentals and other related expenses incurred in the leasing of air conditioning systems, elevators, or other equipment when needed in connection with normal maintenance and repair of permanent Building systems.

(i) Wages, salaries, benefits or other similar compensation paid to executive employees of Landlord or Landlord's agents above the rank of Building manager.

(j) Penalties or other costs incurred due to a violation by Landlord, as determined by written admission, stipulation, final judgment or arbitration award, of any of the terms and conditions of this Lease or any other lease or contract relating to the Building except to the extent such costs reflect costs that would have been incurred by Landlord absent such violation.

(k) Landlord's general corporate office overhead and administrative expenses (which shall not be deemed to include a management fee).

(l) Rentals and other related expenses incurred in the leasing of air conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature, except when needed in connection with normal maintenance and repair of permanent Building systems, and except for equipment that is not affixed to the Building and is used in providing janitorial or similar services.

(m) The cost of abatement or removal of any Hazardous Substances, except for the costs of any such actions taken by Landlord to comply with any Laws in connection with the ordinary operation and maintenance of the Building or any costs for which Tenant is responsible under Section 8.4.

(n) Fines, penalties and other costs incurred due to a violation by Landlord of any Laws where Landlord shall have failed to cure such violation after written notice thereof and where compliance with such law is Landlord's obligation pursuant to this Lease, except to the extent such fines or penalties would have been incurred by Landlord absent such violation.

(o) All direct costs of refinancing, selling, exchanging or otherwise transferring ownership of the Building or any interest therein or portion thereof, including broker commissions, attorneys' fees and closing costs.

(p) Reserves for bad debts, rent loss, capital items or future expenses.

(q) Costs of compliance with applicable building codes to the extent the Building does not comply with such building codes as of the date hereof and such compliance is required as of the date hereof.

(r) Costs of compliance with the ADA, to the extent the Building does not comply therewith as of the date hereof and such compliance is required as of the date hereof.

(s) Costs of major signage which identifies a tenant other than Tenant.

(t) Third party claims paid by Landlord for personal injury or property damage, including costs of Landlord's defense thereof, except that the foregoing shall not relieve Tenant of responsibility for claims (and the defense costs thereof) for which Tenant is responsible pursuant to Article XIV or any other provision of this Lease.

(u) Costs of repairs and other work or replacements to the extent Landlord is reimbursed by warranty proceeds, net of Landlord's reasonable costs of obtaining such proceeds (and in the event that Landlord shall subsequently receive any such reimbursement for such repair or work costs previously included in expenses billed to Tenant, an appropriate credit shall be made to the amounts payable by Tenant to take such reimbursement into account).

(v) Costs incurred by the Landlord in connection with its repair and maintenance of the roof parking areas and sidewalks during the first Lease Year, except such costs as are the result of the negligence or willful misconduct of Tenant or anyone for whom Tenant is legally responsible.

4.2 As used above, the term "**Taxes**" shall mean and include (i) all taxes on real property and personal property, ad valorem taxes, surcharges, general and special assessments and impositions, general and special, ordinary and extraordinary, foreseen or unforeseen, of any kind levied or, imposed upon the Building or the Land, or any machinery, equipment, fixtures or other personal property of Landlord thereon or therein, or in connection with the use thereof (including any transit, personal property, sales, rental, use, gross receipts and occupancy tax and other similar charges); (ii) any other present or future taxes or governmental charges which are imposed upon or assessed against the Building or the Land, including, but not limited to, any tax levied on or measured by the rents payable by tenants in the Building which are in the nature of, or in substitution for, real property taxes; (iii) any assessments against the Building or the Land, or against Landlord with respect to the Building or the Land, by the Ashburn Business Park Owners Association or any other association now or hereafter established to administer, oversee or enforce common covenants or other rules and regulations to which the Building or common areas are subject or to operate, maintain, repair or replace common or public areas or facilities thereof; (iv) all taxes which are imposed upon Landlord, and which are assessed against the value of any improvements to the Premises made by Tenant or any machinery, equipment, fixtures or other personal property of Tenant used therein; and (v) expenses (including reasonable attorneys fees' and appraisers' fees) incurred in reviewing, protesting or seeking a reduction of Taxes. If Landlord receives a refund of Taxes, or a credit against its future Taxes, for any calendar year, Landlord shall, at its election (and so long as Tenant is not in material

default hereunder), either pay to Tenant, or credit against subsequent payments of Rent due hereunder, an amount equal to the refund, net of any reasonable expenses, including without limitation, reasonable attorneys' fees, incurred by Landlord in achieving such refund; provided, however, if this Lease shall have expired or is otherwise terminated, Landlord shall refund in cash or wire transfer any such refund or credit due to Tenant within thirty (30) days after Landlord's receipt of such refund or its receipt of such credit against future Taxes, after first deducting therefrom any amount necessary to cure any material default by Tenant or to compensate Landlord for its costs or losses incurred by reason of such default. Landlord's obligation to so refund to Tenant any such refund or credit of Taxes shall survive such expiration or termination. If any Tax can be paid by Landlord in installments, then, for the purpose of calculating Tenant's obligation to pay Taxes, any such Tax shall be deemed to be paid by Landlord in the maximum allocable number of installments, regardless of the manner in which Landlord actually pays such Taxes. Taxes shall not include (i) any excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents or receipts), (ii) penalties incurred as a result of Landlord's negligence or willful misconduct or inability or unwillingness (which does not include good-faith disputes) to make payments of, and/or to file any tax or informational returns with respect to, any Taxes, when due, or (iii) any real estate taxes directly payable by Tenant or any other tenant (or subtenant or assignee) in the Building under the applicable provisions in their respective leases. Upon receiving a notice of assessment with respect to the Building, if the Building is separately assessed, Landlord will furnish Tenant with a copy thereof. Landlord shall make a determination whether or not to challenge or appeal such reassessment based on Landlord's reasonable judgment of which course is in the best interest of the Building. Landlord shall inform Tenant of such determination, and shall make available appropriate personnel to discuss with Tenant the reasons underlying such determination. In the event Landlord initially determines not to challenge or appeal such reassessment, Landlord agrees to consider in good faith any desire expressed by Tenant that such reassessment be challenged or appealed. In the event Landlord determines not to challenge any reassessment, then, so long as Tenant leases the entire Building, Tenant shall have the right to challenge such reassessment in Landlord's name but at Tenant's sole cost (which cost Tenant may recover, however, out of any reduction in the Real Estate Taxes resulting from such challenge), and Landlord agrees to cooperate with Tenant in such challenge.

4.3 Except as otherwise provided in this Lease, any Additional Rent owed by Tenant to Landlord, and any cost, expense, damage or liability shall be paid by Tenant to Landlord no later than thirty (30) days after the date Landlord notifies Tenant of the amount of such Additional Rent or such cost, expense, damage or liability accompanied by reasonable supporting documentation for such Additional Rent. If any payment hereunder is due after the end of the Lease Term, such Additional Rent or such cost, expense, damage or liability shall be paid by Tenant to Landlord not later than thirty (30) days after Landlord notifies Tenant of the amount of such Additional Rent or such cost, expense, damage or liability accompanied by reasonable supporting documentation for such Additional Rent. Commencing with the Lease Commencement Date and at the beginning of each calendar year thereafter, Landlord shall submit to Tenant a statement setting forth Landlord's reasonable estimate of the expenses that are expected to be incurred during such calendar year and Tenant's share thereof.

4.4 Tenant or its designee shall have the right, during business hours and upon reasonable prior notice, from time to time to inspect Landlord's books and records relating to expenses, and/or to have such books and records audited at Tenant's expense by a certified public accountant or other professional firm engaged in real estate operations or services (the fees of whom shall not be determined on a contingent basis) designated by Tenant and approved by Landlord (which approval shall not be unreasonably withheld or delayed). Any discrepancy shall be promptly corrected by a payment of any shortfall to Landlord by Tenant within thirty (30) days after the applicable audit, or by a credit against the next payment(s) of rent hereunder or a refund of the overpaid amount within thirty (30) days, as may be applicable. In the event Tenant does not contest a statement of expenses within one hundred eighty (180) days of the calendar year in which it is rendered, such statement shall become binding and conclusive upon each party.

**ARTICLE V
SECURITY DEPOSIT**

5.1 (a) No later than July 1, 2004, Tenant shall deliver to Landlord an unconditional, irrevocable letter of credit (the "**Letter of Credit**") in the amount of [*] as a security deposit, subject to the following terms and conditions. Such letter of credit 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 security deposit, 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 (90th) day after the expiration of the Lease Term, or (2) replaced with cash in the amount of the Security Deposit. 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 requirements of subsection (g) above, then Landlord shall have the right to immediately draw upon the letter of credit without notice to Tenant and hold or apply (in accordance with this Section 5.1) the proceeds as a cash security deposit. 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

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

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(a) (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.

(b) The security deposit shall be security for the performance by Tenant of all of Tenant's obligations, covenants, conditions and agreements under this Lease. Within thirty (30) days after the expiration of the Lease Term, and provided Tenant has vacated the Premises and no Event of Default exists hereunder, Landlord shall return the security deposit to Tenant, less such portion thereof as Landlord shall have appropriated to satisfy any default by Tenant hereunder in accordance with the provisions of this Lease. Upon the occurrence of any Event of Default by Tenant hereunder, Landlord shall have the right, but shall not be obligated, to use, apply or retain such portion of the security deposit as may be reasonably deemed necessary for (i) the payment of any annual Base Rent or Additional Rent or any other sum as to which the Event of Default exists, or (ii) the payment of any amount Landlord may spend or become obligated to spend, to the extent caused by an Event of Default hereunder, including, but not limited to, any damage or deficiency arising in connection with the reletting of the Premises. If any portion of the security deposit is so used or applied, within ten (10) business days after written notice to Tenant of such use or application, Tenant shall deposit with Landlord cash in an amount sufficient to restore the security deposit to its original amount or shall likewise increase the amount of the letter of credit and Tenant's failure to do so shall constitute an Event of Default under this Lease. Tenant hereby authorizes Landlord to deposit the security deposit with the holder of any mortgage (as defined in Section 20.1) if and to the extent required by said holder; provided, however, that such holder shall hold the security deposit in accordance with the terms of this Lease and subject to Tenant's rights with respect to the security deposit, as set forth herein.

5.2 In the event of the sale or transfer of Landlord's interest in the Building, Landlord shall have the right to transfer the security deposit to the purchaser or assignee. If Landlord transfers the security deposit to a purchaser or assignee, Tenant shall look only to such purchaser or assignee for the return of the security deposit, and Landlord shall thereupon be released from all liability to Tenant for the return of the security deposit and interest thereon.

5.3 Tenant hereby acknowledges that Tenant will not look to the holder of any mortgage (as defined in Section 20.1) encumbering the Building for return of the security deposit and interest thereon if such holder, or its successors or assigns, shall succeed to the ownership of the Building, whether by foreclosure or deed in lieu thereof, except if and to the extent the security deposit is actually transferred to such holder.

5.4 Notwithstanding anything to the contrary contained in this Article V, from and after the date that the Tenant or any Permitted Transferee with respect to the entire Premises obtains a rating with respect to its senior debt obligations of Baa by Moody's Financial Services or BBB by Standard & Poor's the requirement for any security deposit shall be extinguished and any Letter of Credit, cash or other security deposit shall be returned to Tenant within ten (10) days of Tenant's notice to Landlord that such credit ratings have been obtained.

ARTICLE VI USE OF PREMISES

6.1 Tenant shall use and occupy the Premises solely for the installation, operations and maintenance of telecommunications equipment and transmissions facilities, including but not limited to a local and long distance switch, node, customer, collocation and related equipment, as well as for general offices and uses accessory thereto and for the licensing of space therein to licensees for the use of such facilities ("**Permitted Uses**"), and for no other use or purpose. Tenant shall not use or occupy the Premises for any unlawful purpose or in any manner that will constitute waste, nuisance or unreasonable annoyance to Landlord or other occupants of the Building. Tenant's use of the Premises shall also comply with all present and future laws, ordinances (including zoning ordinances and the land use requirements), regulations, and orders of the County of Loudoun, Commonwealth of Virginia, and any other public or quasi-public authority having jurisdiction over the Premises, concerning the use, occupancy and condition of the Premises and all machinery, equipment and furnishings therein ("**Laws**"); provided, however, that the foregoing shall not be interpreted to require Tenant to perform structural or capital work unless required due to Tenant's specific use of the Premises. Landlord represents and warrants to Tenant that (i) to the best of Landlord's knowledge, the Building may be used as a data center under applicable zoning ordinances, (ii) as of the Lease Commencement Date, the Property, Building and the Premises are in material compliance with all applicable Laws. Landlord shall, subject to Section 12.3 below and as Tenant's sole and exclusive remedy for any breach of the representations and warranties set forth in the preceding sentence, indemnify, defend, protect and hold Tenant harmless from and against any and all loss, cost, damage or liability to the extent proximately caused by any breach of such representations and warranties. Notwithstanding the foregoing, with respect to the representation contained in clause (ii) above, Landlord shall have the right to contest any alleged violation in good faith, including, without limitation, the right to apply for and obtain a waiver or deferment of compliance, the right to assert any and all defenses allowed by Law and the right to appeal any decisions, judgments or rulings to the fullest extent permitted by Law.

6.2 It is expressly understood that if any present or future law, ordinance, regulation or order (collectively, "**Legal Requirements**") requires any other permit(s) for the Premises due to Tenant's particular use thereof, or Tenant's improvements or future alterations thereto, Tenant will obtain such permit(s) at Tenant's own expense. Further, subject to the provisions of

Section 6.1 above, Tenant will comply with all legal requirements which impose on Tenant a duty relating to or arising as a result of Tenant's use or occupancy of the Premises. Tenant shall promptly pay all fines, penalties and damages that may arise out of or be imposed on Landlord or Tenant because of Tenant's failure to comply with the provisions of this Section.

6.3 Tenant shall pay any business, rent or other taxes that are now or hereafter levied upon Tenant's use or occupancy of the Premises, the conduct of Tenant's business at the Premises, or Tenant's equipment, fixtures or personal property (which Tenant is not, in good faith, challenging or contesting; so long as Tenant indemnifies, protects and holds Landlord harmless from and against any losses or damages arising as a result of Tenant's challenge or contest of such taxes), so long as the same are not otherwise paid pursuant to Article IV above. In the event that any such taxes are enacted, changed, or altered so that any of such taxes are levied against Landlord, or the mode of collection of such taxes is changed so that Landlord is responsible for collection or payment of such taxes, Tenant shall pay any and all such taxes to Landlord (which Tenant is not, in good faith, challenging or contesting; so long as Tenant indemnifies, protects and holds Landlord harmless from and against any losses or damages arising as a result of Tenant's challenge or contest of such taxes) within thirty (30) days following written demand from Landlord.

ARTICLE VII ASSIGNMENT AND SUBLETTING

7.1 Tenant shall not have the right to assign, transfer, mortgage or otherwise encumber this Lease or sublease or permit anyone to use or occupy the Premises or any portion thereof, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed by Landlord; provided, however, that Landlord may withhold its consent to any proposed assignment, transfer, mortgage or other encumbrance of this Lease or sublease of the Premises or any portion thereof, among other reasons, if (i) Tenant is in material default (beyond the giving of applicable notice and the passage of applicable grace periods) under any material provisions of this Lease, or (ii) Landlord reasonably determines that the nature of the activities to be conducted by such proposed assignee or sublessee would physically damage the Building or impair the reputation of the Building as a first-class data center, or that the financial history or credit rating of the proposed assignee or sublessee presents a material risk to Landlord of non-compliance with this Lease. Except as expressly set forth in Section 7.5 below, no assignment or transfer of this Lease or the right of occupancy hereunder may be effectuated by operation of law or otherwise without the prior written consent of Landlord. Any attempted assignment or transfer by Tenant of this Lease or its interest herein or sublease of the Premises or any portion thereof in violation of this Article VII shall, at the option of Landlord, constitute an Event of Default under this Lease. Except as otherwise specifically provided in Section 7.5 below, Tenant agrees to give Landlord at least twenty (20) days' advance written notice of Tenant's intention to assign or transfer this Lease or to sublease the Premises or any portion thereof, along with sufficient information about the proposed assignee or transferee or sublessee to enable Landlord to make the determination called for above.

7.2 The consent by Landlord to any assignment or subletting shall not be construed as a waiver or release of Tenant from any and all liability for the performance of all covenants and obligations to be performed by Tenant under this Lease, nor shall the collection or acceptance of

rent from any assignee, transferee or subtenant constitute a waiver or release of Tenant from any of its liabilities or obligations under this Lease. Landlord's consent to any assignment or subletting shall not be construed as relieving Tenant from the obligation of complying with the provisions of Section 7.1 hereof, as applicable, with respect to any subsequent assignment or subletting. For any period during which Tenant is in material default hereunder, Tenant hereby assigns to Landlord the rent due from any subtenant of Tenant and hereby authorizes each subtenant to pay said rent directly to Landlord. In any transaction when Landlord's consent is required, Tenant further agrees to submit any and all instruments of assignment and sublease to Landlord for Landlord's prior written approval as to form and substance, which approval shall not be unreasonably withheld, conditioned or delayed but which instruments, as an express condition precedent to Landlord's prior approval, shall provide that (i) such sublease or assignment is subject and subordinate to this Lease in all respects, and to any amendments, modifications, renewals, extensions or expansions hereof, (ii) Tenant shall remain primarily liable as Tenant hereunder, (iii) such assignee or sublessee shall conduct a business in the Premises which is a permitted use pursuant to Article VI of this Lease, (iv) in the case of an assignment, such assignee is bound by the terms and conditions of this Lease and assumes all of the obligations and liabilities of Tenant hereunder, (v) in the case of a sublease, (A) Landlord is not, and will not become, a party to such sublease, and (B) Landlord's consent to such sublease does not create a contractual relationship between Landlord and such sublessee, nor does it create any liability of Landlord to such sublessee, (vi) Landlord's consent to such assignment or sublease does not affect the obligations of Landlord or Tenant under this Lease, and (vii) Landlord's consent to such assignment or sublease shall not be construed to mean that Landlord has approved any plans or specifications for renovations to the Premises intended by such assignee or sublessee and that any such work to the Premises must be conducted in accordance with the terms of this Lease. At Landlord's option, to be exercised by written notice (delivered within a reasonable time (not to exceed sixty (60) days) following delivery of such instrument to Landlord), any such instrument of assignment or sublease which does not provide the applicable subsections (i) - (vii) above shall be null and void and of no force or effect. Notwithstanding the foregoing, the foregoing shall not be construed as limiting or waiving Landlord's right, under this Article VII, to consent to an assignment, transfer, mortgage or other encumbrance of this Lease.

7.3 If this Lease is or shall be assigned by Landlord to the holder of a mortgage against the Building as additional security for such mortgage loan, the consent of such holder (if required by the terms of the applicable loan documents) shall be required, when applicable, in the same manner as and in addition to any consents by Landlord under the terms of this Article VII; provided, however, that in instances where Landlord's consent is not required however, no consent from the holder of such mortgage shall be required.

7.4 Tenant shall notify Landlord in writing of any intention by Tenant to market the Premises or any portion thereof for assignment or sublease.

7.5 (a) Subject to the provisions of Section 7.2, and so long as Tenant is not entering into the transaction for the purpose of avoiding or otherwise circumventing the remaining terms of this Article VII, Tenant may assign its entire interest under this Lease or sublease all or any portion of the Premises, without the consent of Landlord, 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**”), provided that all of the following conditions are satisfied (each such transaction described in clause (i) or (ii) above, a “**Permitted Transfer**”; and the transferee in each such transaction, whether an Affiliated Party or Successor Party, a “**Permitted Transferee**”): (1) Tenant is not then in material default under this Lease; (2) Tenant shall give Landlord twenty (20) days advance written notice prior to the effective date of the proposed Permitted Transfer; and (3) with respect to an acquisition, merger, consolidation, or reorganization or any Permitted Transfer which results in Tenant ceasing to exist as a separate legal entity, the applicable successor shall have a net worth which is at least equal to Tenant’s net worth as of the day prior to the proposed purchase, merger, consolidation or reorganization. Tenant’s notice to Landlord shall include information and documentation showing that each of the above conditions has been satisfied. 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, (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. Notwithstanding the foregoing, the following additional provisions must also be satisfied in connection with any Permitted Transfer: (i) the applicable Affiliated Party or Successor Party shall promptly enter into an agreement with both Landlord and Equinix, Inc. agreeing to be bound by Tenant’s obligations hereunder; and (ii) in the event that any Affiliated Party ceases for any reason to be an Affiliated Party, such event shall constitute a transfer, to be dealt with in accordance with the provisions set forth in this Article VII, including without limitation, the Landlord consent provision set forth in Section 7.1 above.

(b) In addition to the provisions of Section 7.5(a) above, Tenant shall have the right, without the consent of Landlord, to enter into subleases, licenses or other similar arrangements with its customers, consistent with the custom and practice of the telecommunications industry, to “co-locate” such customers’ telecommunications equipment within the Premises or to otherwise occupy a portion of the Premises and to allow such customers to avail themselves of the services consistent with the permitted uses of the Premises. Any such sublease, license or customer agreement shall be subject and subordinate in all respects to all of the terms of this Lease but shall not require any prior consent or notice to the Landlord and, in the case of a sublease, shall be for a minimum of 10,000 square feet of rentable area and the instruments of sublease shall include all the provisions set forth in clauses (i) – (vii) of Section 7.2. Tenant shall from time to time, and upon the written request of Landlord, provide Landlord with list of all such licensees or customers subject to any confidentiality requirements of such subtenants, licensees and customers.

ARTICLE VIII MAINTENANCE AND REPAIRS

8.1 Except for the obligations of Landlord pursuant to Section 8.2, Tenant shall keep, and maintain the Premises in reasonably good condition and provide for the maintenance, repair and replacement of the roof of the Building, all mechanical, plumbing, heating, ventilation, air

conditioning, sprinkler and electrical systems and utility service lines within the Premises, the plumbing system within the Premises, all duct banks, conduits and fiber lines running through the Premises, the Licensed Power Conduit, as described below, (collectively, the "**Utility Infrastructure**") and all furnishings, fixtures, personal property, conduits, equipment and improvements located in, or used in the operation of, the Premises, including without limitation power distribution units, computer room air conditioners, generators, fuel tanks, fire protection systems, antennas, satellite dishes, security systems and similar improvements, equipment and personal property, which have been, or hereafter is, installed in the Premises (the "**Critical Equipment**"). Landlord shall assign to Tenant, or make available to Tenant, any warranties or guaranties in Landlord's possession relating to the Utility Infrastructure, the Critical Equipment, the roof or any other items for which Tenant has any maintenance or repair responsibilities. Tenant shall be responsible for obtaining and maintaining all approvals, permits and licenses required by any federal, state or local government for installation, maintenance and operation of the Critical Equipment and for paying all fees attendant thereto and for complying with all other legal requirements relating to the Critical Equipment. Tenant shall have the right from time to time during the Term to test the generators in accordance with Tenant's maintenance schedule. At the expiration or other termination of the Lease Term, Tenant shall surrender the Premises, broom clean, in substantially the same order and condition which they are in on the Access Date, ordinary wear and tear, approved or permitted alterations (unless Landlord requires removal of same pursuant to the terms of this Lease), unavoidable damage by the elements, and casualty damage excepted. Tenant shall, at its own expense, replace any broken or damaged interior glass, windows, doors, locks, jambs and partition walls, and such replacement items shall be of the same quality and design as those initially installed by Landlord in the Premises. In addition, in connection with Tenant's maintenance, repair, and replacement obligations under this Lease, Tenant shall, consistent with its customary practices in similar facilities and at its own cost and expense establish regular service and maintenance procedures or maintain preventative maintenance service contracts, with reputable vendors, for servicing portions of the Building systems, Utility Infrastructure, and Critical Equipment. At the expiration or other termination of this Lease, Tenant shall surrender the Premises, including without limitation, the Utility Infrastructure and Critical Equipment, including replacements thereto or thereof, to Landlord in as good order and condition as they were on the Access Date or may be put in thereafter in accordance with this Lease, reasonable wear and tear, functional obsolescence and damage to the Premises by casualty or condemnation of the Premises excepted. For the avoidance of doubt, the parties acknowledge and agree that all Utility Infrastructure and Critical Equipment shall remain upon and be surrendered with the Premises as a part thereof at the termination or other expiration of the Term; provided that Tenant may, at Tenant's sole option, remove any elements of the Utility Infrastructure or Critical Equipment installed in the Premises by the Tenant during the term of the Lease, except to the extent that such items installed by Tenant represent a replacement of items existing in the Premises as of the date hereof, the intent of the parties being that at the end of the term of the Lease, the Premises shall be left in the same operating condition as existed as of the date hereof, reasonable wear and tear, functional obsolescence and damage to the Premises by casualty or condemnation of the Premises excepted. In the event Tenant shall be in default with respect to any action that Tenant is obligated to perform pursuant to this Section 8.1, then Landlord shall have the right to perform such act on Tenant's account. Prior to Landlord undertaking any action to cure or remedy such condition, Landlord shall first give written notice of such condition to Tenant and allow Tenant two (2) business days following

receipt by Tenant of such written notice to cure or remedy the condition specified in Landlord's notice; provided, however, that if such condition cannot be cured within the two (2) business day period, such period shall be extended for a reasonable additional time, so long as Tenant commences to cure such condition within the two (2) business day period and proceeds diligently thereafter to effect such cure. If Tenant fails to cure or remedy such condition within such time period, then Landlord may cure or remedy such condition and deliver an invoice, with reasonable supporting documentation, to Tenant for such costs and expenses, and Tenant shall pay to Landlord the amount of such invoice within thirty (30) days after delivery by Landlord. The amount of such expenses, when paid by Tenant, shall be included within Expenses, to the extent such costs and expenses are not excluded from the definition of Expenses.

8.2 Landlord shall keep and maintain in good condition and repair the foundation and exterior walls of the Building, all driveways, parking areas, sidewalks, landscaping, grounds adjacent to the Building as well as the Common Areas. In addition, but subject to the provisions of Section 8.5 below, during the first Lease Year, Landlord shall keep and maintain in good condition and repair the roof of the Building. In the event Landlord shall be in default with respect to any action that Landlord is obligated to perform pursuant to this Section 8.2, then Tenant shall have the right to perform such act on Landlord's account. Prior to Tenant undertaking any action to cure or remedy such condition, Tenant shall first give written notice of such condition to cure or remedy such condition, Tenant shall first give written notice of such condition to Landlord and allow Landlord two (2) business days following receipt by Landlord of such written notice to cure or remedy the condition specified in Tenant's notice; provided, however, that if such condition cannot be cured within the two (2) business day period, such period shall be extended for a reasonable additional time, so long as Landlord commences to cure such condition within the two (2) business day period and proceed diligently thereafter to effect such cure. If Landlord fails to cure or remedy such condition within such time period, then Tenant may cure or remedy such condition and deliver an invoice, with reasonable supporting documentation, to Landlord for such costs and expenses, and Landlord shall pay to Tenant the amount of such invoice within thirty (30) days after delivery by Tenant. The amount of such expenses, when paid by Landlord, shall be included within Expenses, to the extent such costs and expenses are not excluded from the definition of Expenses.

8.3 All injury, breakage and damage to the Premises or to any other part of the Building or to any equipment, fixtures, personal property or improvements located in the Building caused by any negligent act or omission or willful misconduct of Tenant or anyone for whom Tenant is responsible at law ("**Tenant Party**"), shall, subject to the provisions of Section 12.3(b) below if applicable, be repaired at the sole expense of Tenant, except that Landlord shall have the right, at its option, after Tenant's failure to cure (or commence to cure, where applicable) within thirty (30) business days after notice to Tenant of such injury, breakage or damage, to make such repairs and to charge Tenant for all reasonable costs and expenses incurred in connection therewith as Additional Rent hereunder. Should an emergency or similar situation occur and delay would cause or is likely to cause preventable injury to persons or property, Landlord may elect to act without notice to Tenant to repair or abate the emergency condition.

8.4 (a) Tenant shall not cause or permit any Hazardous Materials to be generated, used, released, stored or disposed of in or about the Building, provided that Tenant may use and

store reasonable quantities of Hazardous Materials as are customarily maintained on site by data center tenants and as may be reasonably necessary for Tenant to conduct normal operations in the Premises, taking into account the Permitted Uses. At the expiration or earlier termination of this Lease, Tenant shall surrender the Premises to Landlord free of Hazardous Materials generated, stored or disposed of by Tenant and free of all Environmental Default (as defined below) by Tenant, except that Tenant shall not be required to remove fuel storage tanks which are leak free and otherwise in compliance with applicable Environmental Laws. For purposes of this Section 8.4:

(i) "**Hazardous Materials**" means (A) asbestos and any asbestos containing material and any substance that is then defined or listed in, or otherwise classified pursuant to, any Environmental Law or any other applicable Law as a "**hazardous substance**," "**hazardous material**," "**hazardous waste**," "**infectious waste**," "**toxic substance**," "**toxic pollutant**" or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, or Toxicity Characteristic Leaching Procedure (TCLP) toxicity, (B) any petroleum and drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources, and (C) any petroleum product, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive material (including any source, special nuclear, or by-product material), medical waste, chlorofluorocarbon, lead or lead-based product, and any other substance whose presence could be detrimental to the Building or the Land or hazardous to health or the environment; and

(ii) "**Environmental Law**" means any present and future Law and any amendments (whether common law, statute, rule, order, regulation or otherwise), permits and other requirements or guidelines of governmental authorities applicable to the Building or the Land and relating to the environment and environmental conditions or to any Hazardous Material (including, without limitation, CERCLA, 42 U.S.C. § 9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq., the Clean Air Act, 33 U.S.C. § 7401 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. § 1101 et seq., the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq., and any so-called "**Super Fund**" or "**Super Lien**" law, any Law requiring the filing of reports and notices relating to hazardous substances, environmental laws administered by the Environmental Protection Agency, and any similar state and local Laws, all amendments thereto and all regulations, orders, decisions, and decrees now or hereafter promulgated thereunder concerning the environment, industrial hygiene or public health or safety).

(b) Notwithstanding any termination of this Lease, Tenant shall indemnify and hold Landlord, its employees and agents harmless from and against any damage, injury, loss, liability, charge, demand or claim (expressly excluding consequential or punitive damages) based on or arising out of the presence or removal of, or failure to remove, Hazardous Materials generated, used, released, stored or disposed of by Tenant or any Tenant Party (other than Landlord or anyone for whom Landlord is responsible ("**Landlord Party**")) in or about the Building, whether before or after the Lease Commencement Date. In addition, Tenant shall give Landlord immediate verbal and follow-up written notice of any actual or threatened

Environmental Default of which Tenant has knowledge, which Environmental Default Tenant shall cure in accordance with all Environmental Laws and to the reasonable satisfaction of Landlord and only after Tenant has obtained Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. An "**Environmental Default**" means any of the following by Tenant or any Tenant Party (other than Landlord or any Landlord Party): a violation of an Environmental Law; a release, spill or discharge of a Hazardous Material on or from the Premises in violation of applicable Environmental Law, the Land or the Building; an environmental condition requiring responsive action under applicable Environmental Law; or an emergency environmental condition. Upon any Environmental Default, in addition to all other rights available to Landlord under this Lease, at law or in equity, Landlord shall have the right but not the obligation to immediately enter the Premises subject to any notice requirements contained herein, to supervise and approve any actions taken by Tenant to address the Environmental Default, and, if Tenant fails to promptly address same to Landlord's reasonable satisfaction, to perform, at Tenant's sole cost and expense, any lawful action necessary to address same. If any lender or governmental agency shall require testing to ascertain whether an Environmental Default is pending or threatened, and Landlord, as a result of such testing, determines that Tenant has committed an Environmental Default that continues, then Tenant shall pay the reasonable costs of such testing as Additional Rent. Promptly upon request, Tenant shall execute from time to time affidavits, representations and similar documents concerning Tenant's best knowledge regarding Tenant's compliance with this Article VIII.

(c) Landlord represents and warrants to Tenant that, to the best of Landlord's knowledge, the Land and Building (i) are not (as of the date of execution of this Lease) and have not been a site for the use, generation, manufacture, storage, disposal or transportation of any Hazardous Materials, and (ii) there are presently (as of the date of execution of this Lease) no Hazardous Materials in the Premises, except such minor amounts as are customarily found in similar projects, all of which are stored, maintained and used in accordance with Environmental Laws. Landlord hereby agrees to indemnify, defend, protect and hold harmless and defend Tenant, its directors, officers, employees, agents, permitted successors and assigns from and against any and all direct loss, cost, damage, or liability (expressly excluding consequential or punitive damages), including, without limitation, any claims, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements and enforcement actions of any kind, and all costs and expenses incurred in connection therewith), arising out of (i) any handling, treatment, removal, storage, decontaminations, clean up, transport or disposal of any Hazardous materials located in, on or under the Land and/or Building by Landlord or any Landlord Party and (ii) Landlord's breach of the foregoing representation or warranty. The foregoing indemnity shall not, however, apply to any cost and expenses associated with any Hazardous Materials placed in, on or under the Land and/or Building by Tenant or any Tenant Party.

8.5 As provided in Sections 8.1 and 8.2 above, it is the intent of the parties that the Landlord shall maintain and repair the roof of the Building during the first Lease Year and that Tenant shall maintain and repair the roof of the Building during the balance of the Lease Term. Landlord has commissioned a third party report to determine the items of repair that currently need to be performed on the roof. Upon the receipt of such report Landlord shall promptly provide a copy thereof to Tenant. Within thirty (30) days of Tenant's receipt of such report, Tenant shall have the right to elect to replace the roof of the Building at Tenant's sole cost and

expense, subject to Tenant receiving a payment from Landlord in the amount that Landlord would have reasonably spent to repair the items specified in such third party report as requiring repair. In the event that Landlord and Tenant are unable to agree on the amount of the Landlord's payment within thirty (30) days of Tenant's notice of its election to replace the roof, then, at Tenant's option, such notice shall be deemed rescinded and Landlord's and Tenant's obligations with respect to the roof shall be as set forth in Sections 8.1 and 8.2 or, alternatively, Tenant may replace the roof at its sole cost. In the event that Tenant proceeds to replace the roof, Landlord shall make access thereto available to Tenant as soon as reasonably possible, notwithstanding the provisions of Section 2.4 above.

ARTICLE IX ALTERATIONS

9.1 Landlord shall (i) construct and install, or cause to be constructed and installed, at its expense, concrete block fire-rated walls within the Connector, separating the Building and Building 2, along with other improvements within the Connector, all as shown on **Exhibit A-2** attached hereto (the "**Connector Work**"), and (ii) prior to the Access Date, perform the testing and other work set forth on **Exhibit C** attached hereto (the "**Landlord's Work**"). Landlord shall submit plans in connection with its application for building permits for construction of the Connector Work as soon as practical but no later than the thirty (30) days after the Effective Date and, upon receipt of such permits, diligently pursue to completion the construction of the Connector Work. It is understood and agreed that Landlord will not make, and is under no obligation to make, any structural or other alterations, installations, additions or improvements in or to the Premises or Building except as provided in this Section 9.1. If, as a result of additional testing performed by Tenant, deficiencies are discovered to exist in the Critical Equipment or Utility Infrastructure, Tenant shall be responsible for resolving such deficiencies at its sole expense.

9.2 Tenant will not make or permit anyone to make any alterations, additions or improvements (hereinafter referred to collectively as "**Improvements**"), in or to the Premises without the prior written consent of Landlord which consent may not be unreasonably withheld, conditioned or delayed and may be made subject to such conditions as Landlord reasonably designates, if such improvements (i) affect the structure of the Building, (ii) affect the functioning of the Building's mechanical, electrical, life safety, security, plumbing or HVAC systems, (iii) require reinforcement of floors, or (iv) are visible from the exterior of the Premises. Landlord's consent shall not be required with respect to any proposed improvements that (i) do not affect the structure of the Building, (ii) do not affect the functioning of the Building's mechanical, electrical, life safety, security, plumbing, or HVAC systems, and (iii) are not visible from the exterior of the Premises; however, Tenant shall furnish Landlord with advance written notification of any material improvements to the Premises. Prior to performing any improvements where Landlord's consent would be required, Tenant shall obtain Landlord's approval of all plans and specifications, and shall obtain the approval by Landlord of the contractor or other persons who will perform the work (which approval, in each case, shall not be unreasonably withheld, conditioned or delayed). In the event that Landlord's consent is required for any improvements and Tenant submits to Landlord, pursuant to the preceding sentence, the applicable plans and specifications and the name of the contractor or other person performing such work, Landlord shall approve or disapprove (and if disapproved such disapproval shall

include a description of the basis therefor) such items within ten (10) business days of receipt of such items, provided that if Landlord fails to respond to Tenant's request for approval within such ten (10) day period, Tenant may deliver to Landlord a second notice, which notice must state: "**ATTENTION: SECOND NOTICE PURSUANT TO SECTION 9.2 OF LEASE – FAILURE TO TIMELY RESPOND MAY RESULT IN DEEMED APPROVAL.**" If Landlord does not respond to said second notice within five (5) business days following receipt of said second notice, all such items submitted to Landlord shall be deemed approved. Tenant's right to perform any improvements shall be conditioned upon Tenant's obtaining all necessary permits and approvals for such work, and Tenants obtaining and providing Landlord with certificates of insurance evidencing specified insurance. All improvements performed by or for Tenant must conform to all laws, regulations and requirements of the Federal, State and Loudoun County governments but there shall be no construction standards on Tenant, such as building standard improvements, or any similar concept, except such as may be required by such laws, regulations and requirements. Landlord's review and approval of any plans and specifications or consent to the performance of work described therein (if such consent is required hereunder) shall not be deemed an agreement by Landlord that such plans, specifications and work conform with all applicable Legal Requirements and requirements of the insurers of the Building nor deemed a waiver of Tenant's obligations under this Lease with respect to Legal Requirements and insurance requirements nor impose any liability or obligation upon Landlord with respect to the completeness, design sufficiency or compliance with Legal Requirements or insurance requirements of such plans, specifications and work. If Landlord incurs third-party architectural or engineering fees and costs in the review of Tenant's plans, Tenant will reimburse Landlord for the reasonable cost of such review. Tenant agrees to obtain and deliver to Landlord written, unconditional waivers of mechanics' and materialmen's liens against the Building and the Land from all proposed contractors, subcontractors, laborers and material suppliers for all work, labor and services to be performed and materials to be furnished in connection with improvements to the Premises, and to permit Landlord to post notices of non-responsibility within the Premises. Upon completion of the work, Tenant shall provide Landlord with final release of lien forms executed by all major contractors, subcontractors, laborers and materials suppliers. If, notwithstanding the foregoing, any mechanic's or materialmen's lien is filed against the Premises, the Building and/or the Land, for work claimed to have been done for, or materials claimed to have been furnished to, the Premises on Tenant's account, such lien shall be discharged by Tenant within twenty (20) days after Tenant has notice thereof, at Tenant's sole cost and expense, by the payment thereof or by the filing of a surety bond in form legally sufficient to discharge the lien. If Tenant shall fail to discharge any such mechanic's or materialmen's lien, Landlord may, at its option, discharge such lien and treat the cost thereof (including reasonable attorneys' fees incurred in connection therewith) as Additional Rent payable with the next monthly installment of Base Rent falling due at least thirty (30) days thereafter; it being expressly agreed that such discharge by Landlord shall not be deemed to waive or release the default of Tenant in not discharging such lien. It is understood and agreed that any improvements to the Premises shall be conducted on behalf of Tenant, and that Tenant shall be fully responsible therefor. It is further understood and agreed that in the event Landlord shall give its written consent to the making of any improvements to the Premises (if such consent is required hereunder), such written consent shall not be deemed to be an agreement or consent by Landlord to subject its interest in the Premises, the Building or the Land to any mechanic's or materialmen's liens which may be filed in connection therewith. Upon completion of any

material improvements by Tenant, Tenant shall provide Landlord with as-built architectural plans showing the work and electrical layout in a "CADD" format. The parties acknowledge that, subject to Tenant's compliance with the requirements of this Section 9.2 and Landlord's prior consent, which consent will not be unreasonably withheld, Tenant shall have the right to install additional emergency electrical generators and fuel storage tanks in areas outside the Building at grade level or below grade level that are mutually acceptable to Landlord and Tenant, to install supplemental air conditioning systems within the Premises requiring the placement of mechanical cooling systems on the roof of the Building in areas mutually acceptable to Landlord and Tenant, to modify the existing sprinkler and life-safety systems, and erect bollards and/or other perimeter security measures in areas mutually acceptable to Landlord and Tenant.

9.3 Subject to Section 12.3 below, Tenant shall indemnify and hold Landlord harmless from and against any and all losses, costs, liens, claims, liabilities and damages based on or arising, directly or indirectly, by reason of the making of any improvements to the Premises by Tenant or any Tenant Party. If any improvements are made without the prior written consent of Landlord (if such consent is required hereunder), Landlord shall have the right to be exercised by written notice to Tenant, within thirty (30) days following Landlord's discovery that such improvements were made without its consent in violation of this Lease, to require the removal and correction of such improvements and the restoration of the Premises to their condition immediately prior thereto, and Tenant shall be directly liable for all costs and expenses incurred by Landlord in connection therewith. All improvements affixed to the Premises or the Building made by either party shall remain upon and be surrendered with the Premises as a part thereof at the end of the Lease Term, except that if Tenant is not in material default under this Lease, Tenant shall have the right to, at Tenant's sole option, remove, prior to the expiration of the Lease Term, the alterations, furnishings, trade fixtures and equipment installed by Tenant in the Premises solely at the expense of Tenant. All damage and injury to the Premises or the Building caused by any such removal shall, subject to the provisions of Section 12.3(b) below if applicable, be repaired by Tenant, at Tenant's sole expense. If any property of Tenant is not removed by Tenant prior to the expiration or termination of this Lease, the same shall become the property of Landlord and shall be surrendered with the Premises as a part thereof.

ARTICLE X SIGNS

10.1 No sign, advertisement or notice referring to Tenant shall be inscribed, painted, affixed or otherwise displayed on any part of the exterior or the interior of the Building (other than signs in the interior of the Premises that are not visible from outside the Premises) without the prior written approval of Landlord which approval shall not be unreasonably withheld, conditioned or delayed. Subject to Landlord's reasonable approval as aforesaid, Tenant shall have the right to install, at its sole expense, signage on the exterior of the Building and a monument sign on the Land. Tenant shall obtain all required permits for such signage and shall otherwise comply with the requirements of Section 9.2. All of Tenant's signage that is approved by Landlord shall be removed at the expiration or earlier termination of the Lease Term, and Tenant shall repair any damage to the Building resulting therefrom, at Tenant's cost and expense. If any sign, advertisement or notice that has not been approved by Landlord is exhibited or installed by Tenant, Landlord shall have the right to remove the same at Tenant's expense. Landlord reserves the right to affix, install and display such signs, advertisements and notices on any part of the exterior or interior of the Building as may be required by applicable law.

ARTICLE XI
ACCESS

11.1 Tenant shall have at all times during the Lease Term, that is 24 hours a day, 7 days a week, reasonable access to the Common Areas and the Premises. Tenant will permit Landlord, or its agents or representatives, to enter the Premises, without charge therefor to Landlord and without diminution of the rent payable by Tenant, (i) to examine, inspect and protect the Premises and the Building (provided that such entry for examination or inspection shall not be more frequent than quarterly without specific cause therefor), (ii) to make such alterations and/or repairs as in Landlord's reasonable judgment may be required by law or be necessary to maintain the Building in good condition and repair (provided that Landlord shall take all reasonable effort to minimize any inconvenience or interruption to Tenant's activities on the Premises), and (iii) to comply with and carry out Landlord's obligations under this Lease; provided, however, Landlord shall not be entitled to (x) prevent access to any portion of the Premises or (y) materially interfere with or impair Tenant's use of the Premises or other rights under this Lease including any material impairment to Tenant's ability to operate a data center therein twenty four (24) hours a day, seven (7) days a week, except in emergency cases (in which event Landlord will nevertheless use diligent efforts to minimize any interruption where practical). In connection with any such entry, Landlord shall reasonably endeavor to minimize the disruption, to Tenant's use of the Premises, shall give Tenant at least forty-eight (48) hours email or written notice of such entry (except in the event of an emergency) and shall reasonably endeavor to conduct such entry only during normal working hours (except in the event of an emergency). Tenant will have the right to require that Landlord be accompanied by a representative of Tenant during any such entry (except in the case of emergency). Landlord reserves the right to grant easements, rights, and dedications that Landlord deems necessary or desirable for the benefit of the Property, and to record personal maps and restrictions in connection therewith, provided such easements, rights and dedications do not materially interfere with or impair Tenant's use of the Premises or other rights under this Lease.

11.2 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 but for no additional charge, an exclusive license coterminous with the term of this Lease 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 "*Licensed Conduits*") for any lawful telecommunications purpose, including, without limitation, for purposes of pulling dark fiber through the 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 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 Licensed Conduits. Tenant shall deliver to Landlord as built drawings using Autocad showing all carrier telecommunication, fiber and copper wire and cables within the 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 Licensed Conduits and for paying all fees attendant thereto and for complying with all other Legal Requirements relating to the Licensed Conduits. Tenant shall have sole responsibility for the maintenance, repair and replacement of the 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 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 Licensed Conduits. In addition, subject to Landlord's consent as to location and to the terms of Article IX hereof, Tenant shall have the right to install and shall be granted a license to use, a fiber duct bank originating from an offsite Tenant facility transversing the Land or other land owned by Landlord and connecting to the Licensed Conduits. Landlord shall cooperate with Tenant and use commercially reasonable efforts to obtain necessary easements from adjoining land owners to such fiber duct bank. Tenant shall coordinate with Landlord concerning any penetration of the exterior façade of the Building and concerning any potential interference with other Building utilities. All repairs to the Property made necessary by reason of the furnishing, installation, maintenance, or operation of the Licensed Conduits 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 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 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. Landlord shall have no liability on account of any damage to or interference with the operation of the Licensed Conduits 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.

11.3 Landlord and Tenant acknowledge that critical 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 BC, by means of a tie breaker, with Switchgear BC being dedicated solely to providing critical 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 BC and one of the Power Conduits from Switchgear BC 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**") for the purpose of providing critical power to the Premises. 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 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 BC and the Licensed Power Conduit. Tenant shall have the sole responsibility for maintenance, repair and replacement of Switchgear BC 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, 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. 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.

11.4 Notwithstanding any contrary provision of this Lease, in the event there is a telecommunications or data interruption in the Premises that (i) is not the result of a general failure of service on the part of the applicable telecommunications provider and (ii) threatens Tenant's ability to provide services to its customers from the Premises, for a reason not caused by the acts of Tenant or any Tenant Party ("**Service Interruption**"), Tenant shall promptly provide written notice of a Service Interruption to Landlord ("**Service Interruption Notice**"). If the Service Interruption Notice is provided by facsimile transmission such notice shall be deemed delivered upon telephone confirmation of receipt of the transmission thereof at the appropriate party's address for notice purposes. If the Service Interruption Notice is delivered to Landlord during business hours, Landlord shall have six (6) hours to commence taking commercially reasonable efforts to cure said Service Interruption and shall thereafter diligently pursue such cure to completion using commercially reasonable efforts. If the Service Interruption Notice is delivered to Landlord outside of business hours, Landlord shall have until the next business day, but in no event longer than fifteen (15) hours, to commence curing said Service Interruption and shall diligently pursue such cure of a Service Interruption to completion. If Landlord does not commence the cure of the Service Interruption within the applicable cure

commencement period, Tenant shall be entitled to undertake such commercially reasonable efforts as are necessary to cure the Service Interruption. Subject to the rights of other tenants in the Project, Tenant shall have the right to enter such portions of the Project as may be reasonably required to effectuate any reasonable cure of such Service Interruption, provided that (i) Tenant shall use all reasonable efforts to include the Landlord's Project manager or Project personnel in connection with the entry into any portions of the Project outside of the Premises, and (ii) Tenant shall repair any damage caused by any such repair activities of Tenant and shall indemnify and hold Landlord harmless from any claims, including any related attorneys fees, by other tenants in the Project for damage to persons or property resulting from such activities of Tenant. Tenant shall be entitled to reimbursement for the sums reasonably expended by Tenant to effectuate such cure within thirty (30) days after submitting a written invoice of said sums to Landlord; provided that, if Landlord disputes the amount of such claim for reimbursement, Landlord shall give Tenant written notice of such dispute prior to the end of such thirty (30) day period in which event, and prior to the commencement of any collection action on Tenant's part, Landlord and Tenant shall meet and confer on not less than two (2) occasions (at a mutually agreeable time and place in the Ashburn, Virginia area) in the ensuing sixty (60) days in an attempt to resolve such dispute. In no event shall Tenant be entitled to offset such sums.

ARTICLE XII INSURANCE

12.1 Throughout the Lease Term, Landlord shall maintain, at Tenant's sole expense:

(a) Property damage insurance covering the Building and, subject to Section 12.3 below, all equipment and fixtures installed therein providing protection against any peril included within the classification "All Risk" inclusive of standard fire and extended coverage insurance, including endorsements against vandalism, malicious mischief and other perils in an amount equal to the replacement cost thereof, exclusive of architectural and engineering fees, excavation, footings and foundations with a deductible amount of not more than \$10,000.

(b) Commercial general liability insurance against claims for bodily injury and property damage occurring in or about the Land and Building in amounts as shall from time to time be carried by owners and operators of comparable buildings, but in no event less than Five Million Dollars (\$5,000,000), with a commercially reasonable deductible.

Tenant shall reimburse Landlord for the cost of all premiums for insurance required under this Section 12.1 within thirty (30) days of written demand from Landlord accompanied by reasonable supporting documentation and such sums shall be considered Additional Rent hereunder.

12.2 Throughout the Lease Term, Tenant shall insure the contents of the Premises, including all furnishings, trade fixtures, and equipment used or installed in the Premises by Tenant, and any other personal property of Tenant therein against loss due to fire and other casualties included in standard extended coverage insurance policies in minimum amounts not less than the full replacement cost of Tenant's furnishings, trade fixtures, equipment and other personal property with a deductible amount of not more than \$100,000. Throughout the Lease

Term, Tenant shall obtain and maintain comprehensive public liability insurance in a company or companies licensed to do business in the Commonwealth of Virginia and approved by Landlord, such approval not to be unreasonably withheld, conditioned or delayed. Such insurance shall be in minimum amounts of Four Million Dollars (\$4,000,000) per occurrence plus a general aggregate of Ten Million Dollars (\$10,000,000) for injury to persons and damage to property and shall be for a minimum term of one (1) year. In addition, at all times when any construction is in progress, Tenant shall maintain or cause to be maintained by its contractors and subcontractors with companies reasonably approved by Landlord, builders risk insurance, completed value form, covering all physical loss, in amounts reasonably satisfactory to Landlord. In addition, each of said policies of insurance shall name Landlord and others designated by Landlord, as additional insureds. If requested by the holder of any mortgage or deed of trust against the Building, the public liability policy referred to above shall also name such holder as an additional insured thereunder. Receipts or certificates evidencing payment of the premiums for such insurance shall be delivered by Tenant at least annually. Each such policy shall contain an endorsement prohibiting cancellation or reduction of coverage without first giving Landlord and the holder of any mortgage or deed of trust on the Building at least thirty (30) days' prior written notice of such proposed action.

12.3 (a) Notwithstanding any provisions of this Lease to the contrary, Tenant hereby waives its right of recovery against Landlord and releases Landlord from any claim for which Landlord may otherwise be liable arising out of losses, claims, casualties or other damages to the extent either (i) such loss, claim, casualty or other damage would have been covered under insurance coverage Tenant is required to maintain pursuant to this Article XII or (ii) Tenant receives insurance proceeds on account of any such losses, claims, casualties or other damages. Each policy of property insurance obtained by Tenant pursuant to the provisions of this Article XII shall include a waiver of the insurer's right of subrogation against Landlord, and shall contain an endorsement to the effect that any loss payable under such policy shall be payable notwithstanding any act or negligence of Landlord, or any Landlord Party, which might, absent such agreement, result in the forfeiture of payment for such loss.

(b) Notwithstanding any provisions of this Lease to the contrary, Landlord hereby waives its right of recovery against Tenant and releases Tenant from any claim for which Tenant may otherwise be liable arising out of losses, claims, casualties or other damages to the extent either (i) such loss, claim, casualty or other damage would have been covered under insurance coverage Landlord is required to maintain pursuant to this Article XII or (ii) Landlord receives insurance proceeds on account of any such losses, claims, casualties or other damages. Each policy of property insurance obtained by Landlord with respect to the Building or Property pursuant to this Article XII or otherwise shall include a waiver of the insurer's right of subrogation against Tenant, and shall contain an endorsement to the effect that any loss payable under such policy shall be payable notwithstanding any act or negligence of Tenant, or any Tenant Party, which might, absent such agreement, result in the forfeiture of payment for such loss.

**ARTICLE XIII
UTILITIES**

13.1 Tenant agrees to contract directly for and timely pay for all utilities serving the Premises prior to delinquency and to provide and shall pay directly all charges relating to, janitorial services to the Premises.

13.2 Tenant shall have the right to install in the Premises such electronic and other security equipment as Tenant typically provides in other facilities operated by Tenant and to provide such other security services as Tenant deems reasonably necessary for the operation of Tenant's facility in the Premises. Landlord will reasonably cooperate with Tenant's security requirements.

13.3 Landlord and Tenant acknowledge that electricity for the entire Connector is provided through the Licensed Power Conduit. Landlord and Tenant agree that Tenant shall have the right at any time, at Tenant's expense, to install submeters to measure the cost of electricity being used in the portion of the Connector being retained by Landlord and bill Landlord for such cost, which cost Landlord will pay to Tenant within twenty (20) days of receipt of an invoice accompanied by reasonable supporting documentation. In addition, Landlord hereby agrees that upon commencing any material work in Building 2, Landlord shall, at its expense, either (i) disconnect from the Licensed Power Conduit all interior lights within the portion of the Connector being retained by Landlord or (ii) if Tenant has not done so in accordance with the preceding sentence, install submeters measuring the cost of electricity being used in the portion of the Connector being retained by Landlord and reimburse Tenant for such cost in accordance with the above procedure.

**ARTICLE XIV
LIABILITY OF LANDLORD**

14.1 Except as expressly provided to the contrary in this Lease, Landlord shall not be liable to Tenant, its employees, agents, business invitees, licensees, customers, clients, family members or guests for any damage, injury, loss, compensation or claim, based on, arising out of or resulting from any cause whatsoever, including but not limited to the following: (i) repairs to any portion of the Premises or the Building; (ii) interruption in the use of the Premises; (iii) any accident or damage resulting from the use or operation (by Landlord, Tenant or any other person or persons) of elevators, or of the heating, cooling, electrical or plumbing equipment or apparatus; (iv) the termination of this Lease by reason of the destruction of the Premises or the Building; (v) any fire, robbery, theft, mysterious disappearance and/or any other casualty; (vi) the actions of other tenants in the Building, if any, or of any other person or persons; and (vii) any leakage in any part or portion of the Premises or the Building, or from water, rain or snow that may leak into, or flow from, any part of the Premises or the Building, or from drains, pipes or plumbing fixtures in the Building; provided, however, that Landlord shall not be released pursuant to this Section 14.1 from any liability (i) resulting directly from Landlord's breach of, or default as to, or failure to comply with, any of its covenants, warranties or other obligations under this Lease, or (ii) subject to Section 12.3(a) above, property damage, personal injury or death caused directly by Landlord's negligence or willful misconduct or the negligence or willful misconduct of any Landlord Party. In no event (notwithstanding anything in the immediately preceding sentence or elsewhere in this Lease to the contrary) shall Landlord have any liability to Tenant for any claims based on the interruption of or loss to Tenant's business.

14.2 (a) Tenant hereby agrees to indemnify and hold Landlord harmless from and against all costs, damages, claims, liabilities (including reasonable attorneys' fees and any costs of litigation) suffered by or claimed against Landlord, directly or indirectly, based on, arising out of or resulting from (i) Tenant's use and occupancy of the Premises, operation of the equipment in the Premises or the business conducted by Tenant therein, (ii) any accident, injury or damage whatsoever caused to any person, or to the property of any person, occurring within the Premises or otherwise caused by Tenant or any Tenant Party during the Lease Term or any period of time prior to the Lease Commencement Date, (iii) any act or tortious or wrongful omission to act by Tenant or any Tenant Party (other than Landlord or Landlord's employees, contractors, agents, customers, invitees or other tenants or licensees), or (iv) any breach or default by Tenant in the performance or observance of its covenants or obligations under this Lease; provided that Tenant's obligations to indemnify and hold Landlord harmless pursuant to this Section 14.2 shall not include any costs, damages, claims or liabilities, suffered by or claimed against Landlord directly based on, arising out of or resulting from any negligence or willful misconduct of Landlord or any Landlord Party.

(b) Landlord shall indemnify and hold Tenant harmless from and against all costs, damages, claims, liabilities (including reasonable attorneys' fees, and costs of litigation) suffered by or claimed against Tenant, directly or indirectly, based on, arising out of or resulting from (i) any work or act done in violation of this Lease in or about the Premises or the Building by Landlord or any Landlord Party; (ii) any negligence or other wrongful act or omission on the part of the Landlord or any Landlord Party; and (iii) any failure on the part of Landlord to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this Lease on its part to be performed or complied with.

14.3 Except as expressly provided in this Lease, in the event that at any time Landlord shall sell or transfer the Building, provided the purchaser or transferee expressly assumes in writing the obligations of Landlord hereunder, the Landlord named herein shall not be liable to Tenant for any obligations or liabilities based on or arising out of events or conditions occurring on or after the date of such sale or transfer. Furthermore, upon such assumption, Tenant agrees to attorn to any such purchaser or transferee upon all the terms and conditions of this Lease.

14.4 In the event that at any time during the Lease Term Tenant shall have a claim against Landlord, Tenant shall not have the right to deduct the amount allegedly owed to Tenant from any rent or other sums payable to Landlord hereunder, it being understood that Tenant's sole remedy for recovering upon such claim shall be to institute an independent action against Landlord.

14.5 Tenant agrees that in the event Tenant is awarded a money judgment against Landlord, Tenant's sole recourse for satisfaction of such judgment shall be limited to execution against Landlord's equity interest in the Building and the Land. In no event shall Landlord or any partner or member of Landlord or any other person be held to have any personal liability for satisfaction of any claims or judgments that Tenant may have against Landlord.

ARTICLE XV
[Intentionally Deleted]

ARTICLE XVI
DAMAGE OR DESTRUCTION

16.1 If, during or prior to the Lease Term, the Premises or the Building are totally or partially damaged or destroyed from any cause, thereby rendering the Premises totally or partially inaccessible or unusable by Tenant for its business, within forty-five (45) days following the date of any such damage, Landlord shall promptly notify Tenant of Landlord's good-faith best estimate of the time required to repair such damage in the manner described herein ("**Landlord's Repair Notice**"). Landlord shall thereafter diligently (taking into account the time necessary to effectuate a satisfactory settlement with any insurance company involved) restore and repair the Premises and the Building to substantially the same condition they were in prior to such damage using materials and workmanship equal to or better in quality than those originally incorporated into the Premises; provided, however, if (i) insurance proceeds which, when added to any necessary deductible payment or voluntary payment by Tenant, would be sufficient for restoration are unavailable for any reason (other than due to Landlord's failure to maintain the insurance coverage required hereunder), or (ii) more than fifty percent (50%) of the Building is destroyed as a result of such damage, then Landlord shall have the right, at its sole option, to terminate this Lease by giving written notice of termination to Tenant within sixty (60) days after the occurrence of such damage. If this Lease is terminated pursuant to the preceding sentence, all Base Rent and Additional Rent payable hereunder shall be equitably apportioned and paid to the date of the occurrence of such damage or destruction, and neither Landlord nor Tenant shall have any further rights or remedies as against each other pursuant to this Lease accruing after the date of termination.

16.2 If this Lease is not terminated in accordance with the provisions of Section 16.1, then, until the repair and restoration of the Premises is completed Tenant shall be required to pay Base Rent and Additional Rent only for that part of the Premises that Landlord and Tenant mutually agree, in their reasonable judgment, that Tenant is able to use (as such use is contemplated by this Lease) while repairs are being made, based on the ratio that the amount of usable rentable area bears to the total rentable area in the Premises. Landlord shall bear the costs and expense of repairing and restoring the Premises, subject to the limitations on Landlord's obligations set forth in this Article XVI.

16.3 If Landlord's Repair Notice indicates that the Premises cannot be made tenantable within nine (9) months from the date of damage, then regardless of anything in this Article XVI above to the contrary, Tenant shall have the right to terminate this Lease by giving written notice to Landlord of such election within thirty (30) business days after receipt of Landlord's Repair Notice.

16.4 If Landlord repairs and restores the Premises as provided in this Article XVI, Landlord shall not be required to repair or restore any alterations or improvements to the Premises previously made by or at the expense of Tenant or any trade fixtures, furnishings, equipment or personal property belonging to Tenant. It shall be Tenant's sole responsibility to repair and restore all such items. Notwithstanding the foregoing, the Landlord shall be required to repair and restore all Utility Infrastructure and Critical Equipment.

**ARTICLE XVII
CONDEMNATION**

17.1 If the whole or a substantial part of the Premises or a portion thereof required for the reasonable use of the Premises, is condemned or acquired in lieu of condemnation by any governmental authority for any public or quasi-public use or purpose, then the term of this Lease shall cease and terminate as of the date when title vests in such governmental authority. If less than a substantial part of the Premises, or a portion thereof not required for the reasonable use of the Premises, is condemned or acquired in lieu of condemnation by any governmental authority for any public or quasi-public use or purpose, the rent shall be equitably adjusted on the date when title vests in such governmental authority and the Lease shall otherwise continue in full force and effect. In the event of any such condemnation or taking and this Lease is not so terminated, Landlord shall promptly repair the Premises or the Property, as the case may be, to a condition such that the remaining portion of the Premises or Property, as the case may be, shall constitute an architectural unit, fit for Tenant's occupancy and business. For purposes of this section, a "**substantial part of the Premises**" shall be considered to have been taken if twenty-five percent (25%) or more of the Premises is condemned or acquired in lieu of condemnation, or if less than twenty-five (25%) of the Premises is taken if the portion of the Premises taken renders the entire Premises not reasonably usable for the conduct of the Permitted Use.

17.2 All awards, damages and other compensation paid by the condemning authority on account of such taking or condemnation (or sale under threat of such a taking) shall belong to Landlord, and Tenant hereby assigns to Landlord all rights to such awards, damages and compensation. Tenant agrees not to make any claim against Landlord or the condemning authority for any portion of such award or compensation attributable to damages to the Premises, the value of the unexpired term of this Lease or the loss of profits or goodwill. Nothing contained herein, however, shall prevent Tenant from pursuing a separate claim against the condemning authority for severance damages or the value of furnishings, equipment and trade fixtures installed in the Premises at Tenant's expense and for relocation Operating Expenses, provided that such claim does not in any way diminish the award or compensation payable to or recoverable by Landlord in connection with such taking or condemnation.

**ARTICLE XVIII
DEFAULT**

18.1 The occurrence of any of the following shall constitute an "**Event of Default**" by Tenant under this Lease:

(a) If Tenant shall fail to pay any scheduled installment of Base Rent or Additional Rent when due and such failure shall continue uncured for a period of ten (10) days following the receipt by Tenant of the first written notice from Landlord in any twelve (12) calendar month period that the same is past due (the "**First Rent Deficiency Notice**"), or, after Landlord has provided Tenant the First Rent Deficiency Notice, Tenant shall subsequently fail to pay any scheduled installment of Base Rent or Additional Rent when due and such failure shall continue for a period of five (5) days;

(b) If Tenant shall fail to pay when due any other payment required by this Lease (other than scheduled installments of Base Rent or Additional Rent), for which Landlord has delivered an invoice to Tenant, if required hereunder, and such failure shall continue for a period of ten (10) days after written notice from Landlord.

(c) If Tenant shall violate or fail to perform any other term, condition, covenant or agreement to be performed or observed by Tenant under this Lease and such violation or failure shall continue uncured for a period of thirty (30) days after Landlord notifies Tenant in writing of such failure (or, if such failure is not reasonably susceptible to cure within such thirty (30) day period, such longer period (not to exceed ninety (90) additional days) may be reasonably necessary to complete such cure so long as Tenant commences such cure within thirty (30) days and thereafter diligently prosecutes such cure to completion).

(d) An Event of Bankruptcy as defined in Article XIX hereof.

18.2 If there shall occur an Event of Default under this Lease, including without limitation an Event of Default prior to the Lease Commencement Date, Landlord shall have the right, at its sole option, to terminate this Lease. In addition, with or without terminating this Lease, Landlord may re-enter, terminate Tenant's right of possession, and take possession of the Premises. The provisions of this Article XVIII shall operate as a notice to quit, and Tenant waives any other notice to quit or notice of Landlord's intention to re-enter the Premises or terminate this Lease. If necessary, Landlord may proceed to recover possession of the Premises under and by virtue of the laws of the Commonwealth of Virginia, or by such other proceedings, including reentry and possession, as may be applicable. If Landlord terminates this Lease and/or terminates Tenant's right of possession, then everything contained in this Lease on the part of Landlord to be done and performed shall cease without prejudice, however, to the right of Landlord to recover from Tenant all rent and other sums due under this Lease. Whether or not this Lease and/or Tenant's right of possession is terminated by reason of Tenant's default, Landlord shall have the right, so long as any Event of Default is continuing, to grant or withhold any consent or approval pursuant to this Lease in its sole and absolute discretion. Upon any termination of this Lease by Landlord, Landlord agrees to use reasonable efforts to attempt to relet the Premises for such rent and upon such terms as are not unreasonable under the circumstances, which rental, if and to the extent actually received, shall be offset against Tenant's liability hereunder, and if the full rental provided herein plus the reasonable costs, expenses and damages hereafter described shall not be realized by Landlord, Tenant shall be liable for all damages sustained by Landlord, including, without limitation, deficiency in Base Rent and Additional Rent, reasonable attorneys' fees, brokerage fees, and the expenses of placing the Premises in first class rentable condition. Tenant expressly acknowledges that Landlord's agreement to use reasonable efforts to attempt to relet the Premises as provided above shall in no event limit, restrict, or prejudice in any way, Landlord's or Landlord's affiliates' and agents' rights to lease other space in the Project prior to reletting the Premises. Landlord shall in no way be responsible or liable for any failure to relet the Premises or any part thereof, or any failure to collect any rent due or accrued upon such reletting, to the end and intent that Tenant may be liable for the Base Rent, Additional Rent and any and all other items of costs and

expenses which Tenant shall have been obligated to pay throughout the remainder of the Lease Term. Any damages or loss of rent sustained by Landlord may be recovered by Landlord, at Landlord's option, at the time of the reletting, or in separate actions, from time to time, as said damage shall have been made more easily ascertainable by successive relettings, or, at Landlord's option, may be deferred until the expiration of the Lease Term, in which event Tenant hereby agrees that the cause of action shall not be deemed to have accrued until the date of expiration of the Lease Term. The provisions contained in this Section 18.2 shall not prevent the enforcement of any claim Landlord may have against Tenant for anticipatory breach of this Lease.

18.3 As an alternative to recovering damages on account of rental deficiencies on a periodic basis as set forth in Section 18.2 above, Landlord may recover, upon demand, as liquidated damages an amount equal to the amount by which (i) the present value (as of the date of the termination of this Lease) of the Base Rent, Additional Rent, and other sums which would have been payable under this Lease from the date of such demand exceeds (ii) the present value (as of the date of the termination of this Lease) of the Base Rent, Additional Rent and other sums which Tenant establishes by a preponderance of the evidence that Landlord, in a reasonable effort to lease the Premises, could receive from the Premises during the remainder of the Lease Term (net of all expenses and all vacancy periods reasonably projected to be incurred in connection with the reletting of the Premises), which damages shall be payable to Landlord in one lump sum following determination by the court. For purposes of this Section, present value shall be computed by discounting at a rate equal to two percent (2%) higher than the "*Prime Rate*" as published in the Money Rates section of The Wall Street Journal on the date Landlord gives written notice of its election to exercise the foregoing right of acceleration.

18.4 All rights and remedies of Landlord set forth herein are in addition to all other rights and remedies available to Landlord at law or in equity. Except as described in Section 18.3 above, all rights and remedies available to Landlord hereunder or at law or in equity are expressly declared to be cumulative and the exercise by Landlord of any such right or remedy shall not prevent the concurrent or subsequent exercise of any other right or remedy. No delay in the enforcement or exercise of any such right or remedy shall constitute a waiver of any default by Tenant hereunder or of any of Landlord's rights or remedies in connection therewith. Landlord shall not be deemed to have waived any default by Tenant hereunder unless such waiver is set forth in a written instrument signed by Landlord. If Landlord waives in writing any default by Tenant, such waiver shall not be construed as a waiver of any covenant, condition or agreement set forth in this Lease except as to specific circumstances described in such written waiver.

18.5 If Landlord shall institute proceedings against Tenant and a compromise or settlement thereof shall be made, the same shall not constitute a waiver of default or of any other covenant, condition or agreement set forth herein, nor of any of Landlord's rights hereunder, except to the extent agreed by Landlord in writing in connection with such compromise or settlement. Neither the payment by Tenant of a lesser amount than the installments of Base Rent, Additional Rent or of any sums due hereunder nor any endorsement or statement on any check or letter accompanying a check for payment of rent or other sums payable hereunder shall be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or other sums or to pursue any

other remedy available to Landlord. Notwithstanding any request or designation by Tenant, Landlord may apply any payment received from Tenant to any payment then due. No re-entry by Landlord, and no acceptance by Landlord of keys from Tenant, shall be considered an acceptance of a surrender of this Lease.

18.6 If Tenant defaults in the making of any payment or in the doing of any act herein required to be made or done by Tenant, then Landlord may, but shall not be required to, make such payment or do such act. If Landlord elects to make such payment or do such act, all costs and expenses incurred by Landlord, plus interest thereon at the rate per annum which is three percent (3%) higher than the Prime Rate from the date paid by Landlord to the date of payment thereof by Tenant, shall constitute Additional Rent hereunder and shall be immediately paid by Tenant to Landlord; provided, however, that nothing contained herein shall be construed as permitting Landlord to charge or receive interest in excess of the maximum rate then allowed by law. The taking of such action by Landlord shall not be considered as a cure of such default by Tenant or prevent Landlord from pursuing any remedy it is otherwise entitled to in connection with such default.

18.7 If Tenant fails to make any payment of Base Rent or of Additional Rent on or before the date such payment is due and payable, Tenant shall pay to Landlord a late charge of five (5%) of the amount of such payment. In addition, such payment shall bear interest at the rate per annum which is three percent (3%) higher than the Prime Rate from the date such payment became due to the date of payment thereof by Tenant; provided, however, that nothing contained herein shall be construed as permitting Landlord to charge or receive interest in excess of the maximum rate then allowed by law. Such late charge and interest shall constitute Additional Rent due and payable hereunder with the next installment of Base Rent due hereunder. Notwithstanding the foregoing, Landlord shall waive the late charge the first time in any twelve (12) calendar month period that Tenant fails to make a payment when due, provided such payment is made before the expiration of the grace period specified in Section 18.1(a).

ARTICLE XIX BANKRUPTCY

19.1 The following shall be an Event of Bankruptcy under this Lease:

(a) Tenant's becoming insolvent, as that term is defined in Title 11 of the United States Code (the "*Bankruptcy Code*"), or under the insolvency laws of any State, District, Commonwealth or territory of the United States (the "*Insolvency Laws*");

(b) The appointment of a receiver or custodian for any or all of Tenant's property or assets, or the institution of a foreclosure action upon any of Tenant's real or personal property;

(c) The filing of a voluntary petition under the provisions of the Bankruptcy Code or Insolvency Laws; ,

(d) The filing of an involuntary petition against Tenant as the subject debtor under the Bankruptcy Code or Insolvency Laws, which either (i) is not dismissed within ninety (90) days of filing or (ii) results in the issuance of an order or relief against the debtor; or

(e) Tenant's making or consenting to an assignment for the benefit of creditors or a common law composition of creditors.

**ARTICLE XX
SUBORDINATION; MORTGAGES**

20.1 This Lease is subject and subordinate to the lien of any and all mortgages (which term "*mortgages*" shall include both construction and permanent financing and shall include deeds of trust and similar security instruments) which may hereafter encumber the Land and/or the Building, and to all and any renewals, extensions, modifications, recastings or refinancings thereof, provided, however, that the effectiveness of such subordination is subject to the condition that Landlord obtain from any holder of any such mortgage or deed of trust on the Land and/or the Building a non-disturbance agreement on such holder's commercially reasonable form, to the end and intent that as long as Tenant pays all rent when due and materially observes all other covenants and obligations on its part to be observed under this Lease, the terms and conditions of this Lease shall continue in full force and effect and Tenant's rights under this Lease and its possession, use and occupancy of the Premises shall not be disturbed during the term of this Lease by the holder of such mortgage or deed of trust or by any purchaser upon foreclosure of such mortgage or deed of trust. Landlord will deliver to Tenant a non-disturbance agreement in commercially reasonable form from Landlord's current mortgagee or any ground lessor or lien holder on the Premises for execution by Tenant and such party within sixty (60) days following the Effective Date. The failure of Landlord, Landlord's current mortgagee, ground lessor or lien holder to execute such non-disturbance agreement within such sixty (60) day period shall give Tenant the right, at its sole option, to terminate this Lease. At any time after the execution of this Lease, the holder of any mortgage to which this Lease is subordinate shall have the right to declare this Lease to be superior to the lien of such mortgage, and Tenant agrees to execute all documents reasonably required by such holder in confirmation thereof. Landlord hereby covenants and warrants that any mortgage that encumbers the Land as of the date of this Lease shall no longer encumber the Land as of the date of that Landlord acquires title to the Land. Landlord will promptly provide Tenant with a true, correct and complete copy of any notice of default delivered to Landlord by the holder of any mortgage. Any non-disturbance agreement provided for in this Section 20.1 shall also run to the benefit of Tenant's sublessees, licensees and customers.

20.2 In confirmation of the foregoing subordination, Tenant shall, at Landlord's request, promptly execute and deliver any requisite or appropriate certificate or other document evidencing such subordination. Tenant agrees that neither the institution of any suit, action or other proceeding by the holder of any mortgage on the Building to realize upon such mortgage holder's interest in the Building, nor any sale of the Building pursuant to the provisions of the mortgage in favor of such mortgage holder, shall, by operation of law or otherwise, result in the cancellation or termination of this Lease or of the obligations of Tenant hereunder, and that Tenant shall attorn to the purchaser at such foreclosure sale and shall recognize such purchaser as the landlord under this Lease. Tenant further agrees that for the purposes of this Section 20.2, the term "*purchaser*" or "*purchaser at a foreclosure sale*" shall mean, without limitation, a purchaser at a foreclosure sale affecting the Building or the holder of any mortgage on the Building. Tenant agrees that upon such attornment, such purchaser shall not (a) be bound by any rent credits or payments of annual Base Rent or Additional Rent for more than one (1) month in

advance, (b) be bound by any amendment of this Lease made without the consent of any lender providing financing for the Building; or (d) be subject to any offsets or defenses which Tenant might have against any prior landlord, except to the extent that the act or omission giving rise to such offset or defense shall occur following such attornment; provided, however, that after succeeding to Landlord's interest under this Lease, such purchaser shall perform in accordance with the terms of this Lease all obligations of Landlord arising after the date such purchaser acquires title to the Building. Upon request by such purchaser, Tenant shall execute and deliver an instrument or instruments in commercially reasonable form confirming its attornment.

20.3 (a) After Tenant receives notice from any person, firm or other entity that it holds a mortgage or deed of trust on the Building or the Land, no notice from Tenant to Landlord alleging any default by Landlord shall be effective unless and until a copy of the same is given to such holder or Trustee; provided, however, that Tenant shall have been furnished with the name and address of such holder or Trustee. The curing of any of Landlord's defaults by such holder or Trustee shall be treated as performance by Landlord.

(b) In addition to the time afforded Landlord for the curing of any default, if the default could give rise to a right of Tenant to terminate this Lease or to set off or claim a credit against the rent any such holder or Trustee shall have an additional thirty (30) days after the expiration of the period allowed to Landlord for the cure of any such default within which to commence a cure.

(c) In the event that any lender providing construction or permanent financing or any refinancing for the Building requires, as a condition of such financing, that modifications to this Lease be obtained, and provided that such modifications (i) are acceptable to Tenant, (ii) do not affect in a material manner Tenant's rights hereunder including its use of the Premises as herein permitted, (iii) do not increase the rent and other sums to be paid by Tenant hereunder or in connection with its occupancy of the Premises, and (iv) do not materially diminish any of Tenant's other rights under this Lease or materially increase Tenant's other obligations or liabilities under this Lease, Landlord may submit to Tenant a written amendment to this Lease incorporating such required changes, and Tenant hereby covenants and agrees to execute, acknowledge and deliver such amendment to Landlord within fifteen (15) days of Tenant's receipt thereof.

ARTICLE XXI HOLDING OVER

21.1 In the event that Tenant shall not immediately surrender the Premises on the date of the expiration of the Lease Term, Tenant shall become a tenant by the month at the greater of (i) fair market rental value for the Premises or (ii) one hundred fifty percent (150%) of the Base Rent in effect during the last month of the Lease Term, plus one hundred percent (100%) of all Additional Rent in effect during the last month of the Lease Term, calculated on a per diem basis. Said monthly tenancy shall commence on the first day following the expiration of the Lease Term. As a monthly tenant, Tenant shall be subject to all the terms, conditions, covenants and agreements of this Lease. Notwithstanding the foregoing provisions of this Section 21.1, in the event that Tenant shall hold over after the expiration of the Lease Term, and if Landlord shall desire to regain possession of the Premises promptly at the expiration of the Lease Term, then at

any time prior to Landlord's acceptance of rent from Tenant as a monthly tenant hereunder, Landlord, at its option, may forthwith re-enter and take possession of the Premises by any legal process in force in the Commonwealth of Virginia.

**ARTICLE XXII
COVENANTS OF LANDLORD**

22.1 Landlord covenants that it has the right to make this Lease for the term aforesaid, and that so long as Tenant shall pay all rent when due and perform all the covenants, terms, conditions and agreements of this Lease to be performed by Tenant, Landlord covenants that Tenant shall, during the term hereby created, freely, peaceably and quietly occupy and enjoy the full possession of the Premises without disturbance, molestation or hindrance by any person whatever either claiming by, through or under Landlord or claiming an interest in the Premises prior or superior to Tenant's. Tenant acknowledges and agrees that its leasehold estate in and to the Premises vests on the date this Lease is executed, notwithstanding that the Lease Term will not commence until a future date.

**ARTICLE XXIII
PARKING**

23.1 During the Lease Term, Landlord shall make available to Tenant, at no charge to Tenant, two (2) parking spaces per 1,000 square feet of rentable area in the Premises in the surface parking areas located adjacent to the Building on a non-exclusive, unassigned, first-come, first-served basis; provided, however, that 171 parking spaces located immediately to the front and side of the Building and adjacent to the rear of the Building shall be reserved for Tenant's exclusive use. Tenant shall have the right to block off parking spaces immediately adjacent to the Building if reasonably required, in Tenant's judgment to provide adequate security for the Building. The reserved parking spaces are depicted on Exhibit A-6 attached hereto.

23.2 It is understood and agreed that Landlord does not assume any responsibility for, and shall not be held liable for, any damage or loss to any automobiles parked in the parking areas or to any personal property located therein, or for any injury sustained by any person in or about the parking areas. If Tenant is consistently unable to make use of the number of spaces allocated to Tenant pursuant to this Article XXIII, Tenant may notify Landlord of such fact and Landlord shall use reasonable efforts to assist Tenant in obtaining use of the number of parking spaces allocated in Section 23.1 above, which assistance may be in the form of establishing reasonable control measures over the parking facilities, such as issuing parking stickers for vehicles or parking permits for Tenant's vehicles and/or installing a gateway to the parking area (the cost of such efforts may be included as an Operating Expense).

**ARTICLE XXIV
GENERAL PROVISIONS**

24.1 Tenant acknowledges that neither Landlord nor any broker, agent or employee of Landlord has made any representations or promises with respect to the Premises or the Building except as herein expressly set forth, and no rights, privileges, easements or licenses are being acquired by Tenant except as herein expressly set forth.

24.2 Nothing contained in this Lease shall be construed as creating a partnership or joint venture of or between Landlord and Tenant, or to create any other relationship between the parties hereto other than that of landlord and tenant.

24.3 The obligations of Tenant hereunder shall be separate and independent covenants and agreements. This is a net lease and Base Rent, Additional Rent and all other sums payable hereunder by Tenant shall be paid, except as otherwise expressly provided herein, without notice or demand, counterclaim, recoupment, abatement, suspension, reduction or defense.

24.4 Each party agrees, at any time and from time to time, upon not less than fifteen (15) days' prior written notice by the other, to execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying, if true, that this Lease is unmodified and in full force and effect (or if there have been any modifications, that the Lease is in full force and effect as modified and stating the modifications); (ii) stating the dates to which the rent and any other charges hereunder have been paid by Tenant; (iii) stating whether or not, to the best knowledge of the certifying party, the requesting party is in default in the performance of any covenant, agreement or condition contained in this Lease, and if so, specifying the nature of such default; (iv) stating the address to which notices to the certifying party are to be sent; and (v) stating such other information as the requesting party or any mortgagee or prospective mortgagee of the Building (in the case of a certificate requested by Landlord) may reasonably request. Any such statement delivered by Tenant may be relied upon by any landlord of the Building or the land upon which it is situated, any prospective purchaser of the Building or such land, any mortgagee or prospective mortgagee of the Building or such land or of Landlord's interest therein, or any prospective assignee of any such mortgagee.

24.5 Landlord and Tenant each hereby waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other in connection with any matter arising out of or in any way connected with this Lease, the relationship of landlord and tenant hereunder, Tenant's use or occupancy of the Premises, and/or any claim of injury or damage.

24.6 All notices or other communications required hereunder shall be in writing and shall be deemed duly given if delivered in person (with receipt therefor), if delivered by nationally recognized overnight courier service (with receipt therefor), or if sent by certified or registered mail, return receipt requested, postage prepaid, to the following addresses: (i) if to Landlord, at DuPont Fabros Development LLC, Suite 1000, 1707 H Street, N.W., Washington, D.C. 20006, with a copy to Cooley Godward LLP, One Freedom Square, Reston Town Center, 11951 Freedom Drive, Reston, Virginia 20190-5601, Attn: John H. Toole; (ii) if to Tenant, to Equinix, Inc., 301 Velocity Way, 5th Floor, Foster City, California 94404-4803, Attn: Director of Real Estate, with a copy to Orrick, Herrington & Sutcliffe LLP, 400 Sansome Street, San Francisco, California 94111 (after July 4, 2004, 405 Howard Street, San Francisco, California 94105), Attn: William G. Murray, Jr. Either party may change its address for the giving of notices by notice given in accordance with this Section.

24.7 If any provision of this Lease or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

24.8 Feminine or neuter pronouns shall be substituted for those of the masculine form, and the plural shall be substituted for the singular number, in any place or places herein in which the context may require such substitution.

24.9 The provisions of this Lease shall be binding upon, and shall inure to the benefit of, the parties hereto and each of their respective representatives, successors and assigns, subject to the provisions hereof restricting assignment or subletting by Tenant.

24.10 This Lease contains and embodies the entire agreement of the parties hereto and supersedes all prior agreements, negotiations and discussions between the parties hereto. Any representation, inducement or agreement that is not contained in this Lease shall not be of any force or effect. This Lease may not be modified or changed in whole or in part in any manner other than by an instrument in writing duly signed by both parties hereto.

24.11 This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

24.12 Article and section headings are used herein for the convenience of reference and shall not be considered when construing or interpreting this Lease.

24.13 The submission of an unsigned copy of this document to Tenant for Tenant's consideration does not constitute an offer to lease the Premises or an option to or for the Premises. This document shall become effective and binding only upon the execution and delivery of this Lease by both Landlord and Tenant.

24.14 Time is of the essence of each provision of this Lease.

24.15 This Lease shall not be recorded.

24.16 [Intentionally Deleted]

24.17 Except as expressly set forth herein to the contrary, all of the parties' duties and obligations hereunder shall survive the termination of this Lease for any reason whatsoever.

24.18 [Intentionally Deleted]

24.19 Each party hereby represents and warrants to the other that all necessary corporate or company action has been taken to enter into this Lease and that the person signing this Lease on behalf of such party has been duly authorized to do so.

24.20 Any amounts required to be paid by Tenant under this Lease other than Base Rent shall be considered **Additional Rent**. All payments of Additional Rent shall be paid to Landlord without diminution, setoff or deduction, in the same manner as annual Base Rent pursuant to Section 3.3 hereof or as may otherwise be provided in this Lease.

24.21 [Intentionally Deleted]

24.22 This Lease includes and incorporates Exhibits A, A-1, A-2, A-3, A-4, A-5, A-6 B, C and D attached hereto.

24.23 Landlord and Tenant each represents and warrants to the other that neither of them has employed or dealt with any broker, agent or finder in carrying on the negotiations relating to this Lease other than Trammell Crow Services, Inc. and Millennium Realty Advisors, LLC, who shall be paid a commission by Landlord pursuant to the terms of a separate agreement. Each party shall indemnify and hold the other harmless from and against any claim or claims for brokerage or other commissions asserted by any other broker, agent or finder engaged by the indemnifying party or with whom the indemnifying party has dealt in connection with this Lease.

24.24 Neither party will, without the prior written consent of the other party (which may be withheld in the other party's sole discretion) disclose to any party (other than the disclosing party's prospective acquirers, underwriters, investors, mortgagees, and other lenders and Tenant's prospective assignees and subtenants, and counsel for the foregoing parties (but in such event only if such parties agree to keep such information confidential) or as may be required by applicable law or judicial order or any required official filing with any governmental agency or public stock exchange) any of the terms and conditions of this Lease; provided that Landlord may disclose to prospective tenants the existence of this Lease but not the terms and conditions hereof. This limitation shall not apply if and to the extent that the terms and conditions of this Lease become publicly available (other than by breach of this Section 24.24). For the avoidance of doubt, the parties acknowledge and agree that recordation of this Lease or of a memorandum thereof by a party shall constitute a breach of this Section 24.24 by such party if the applicable recorded documents contain any of the material business terms of this Lease, including without limitation, the Rent due hereunder. In addition, Landlord shall not without Tenant's consent (which may be withheld in Tenant's sole discretion) issue any press releases, make any public statements, place advertisements or publicize in any manner, regarding the fact that Tenant has leased space in, or is occupying a portion of, the Building. The sole remedy for a breach of the foregoing undertaking shall be an action for specific performance, injunction or restraining order, and such a breach shall not otherwise be deemed to constitute a default under this Lease or give rise to any claim for damages or other relief.

24.25 This Lease may be executed in separate counterparts, each of which shall constitute an original and all of which, together, shall constitute one and the same instrument. This Lease shall be fully executed when each party whose signature is required has signed and delivered to each of the parties at least one counterpart, even though no single counterpart contains the signatures of all parties hereto.

**ARTICLE XXV
COMMUNICATIONS EQUIPMENT**

25.1 Tenant may install, free of charge, at its sole cost, risk and expense, satellite dishes and communications equipment (the **“Communications Equipment”**) on the roof of the Building and on the Land in an amount and of a type mutually agreed to by Landlord and Tenant and subject to Landlord’s prior written approval of plans and specifications for the Communications Equipment, the location of Communication Equipment on the Land and the type, location and placement of all cabling and wiring ancillary thereto, which approval shall not be unreasonably withheld and, with respect to rooftop Communications Equipment, shall be limited to matters affecting the structure of the Building, and the integrity of the roof and the Building systems. In connection with the installation of any such Communications Equipment on the roof, Tenant shall have the right to install a ladder on the exterior of the Building to provide access to the roof.. Landlord makes no representation concerning the suitability of the rooftop as a location for Tenant’s Communications Equipment, and Landlord’s approval of Tenant’s plans and specifications shall in no event be construed as constituting such a representation. 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 Communications Equipment and for paying all fees attendant thereto and for complying with all other Legal Requirements relating to the Communications Equipment. If the Communications Equipment is installed, Tenant shall have sole responsibility for the maintenance, repair and replacement thereof and of all cabling and wiring ancillary thereto. Tenant shall coordinate with Landlord’s property manager concerning any penetration of the roof or the exterior façade of the Building, and shall in no event take any action that will void any then-existing roof warranty. All repairs to the Building made necessary by reason of the furnishing, installation, maintenance, operation or removal of the Communications Equipment or any replacements thereof shall be at Tenant’s sole cost. Upon expiration or termination of this Lease, Tenant shall have the option of leaving the Communications Equipment and any wiring or accessories associated with the Communications Equipment in place or removing the Communications Equipment and ancillary wiring and accessories and in the event of such removal shall repair any damage to the Building or Land caused by the installation or removal of the Communications Equipment and related equipment. Tenant’s Communications Equipment shall not interfere with the structure of the Building, any of the building systems, or the equipment (including airwaves reception and other equipment) of any other tenant in the Building. Tenant’s rights pursuant to this Section 27.1 shall be non-exclusive except with respect to rooftop Communications Equipment. Landlord shall have no liability on account of any damage to or interference with the operation of the Communications Equipment by any third party.

**ARTICLE XXVI
RENEWAL**

26.1 Landlord hereby grants to Tenant the right, exercisable at Tenant’s option, to renew the term of this Lease for two (2) terms (each a **“Renewal Term”**) of ten (10) years each. If such right is exercised, and if the conditions applicable thereto have been satisfied, the first Renewal Term shall commence immediately following the end of the Lease Term provided in this Lease and if the right is exercised with respect to the second Renewal Term, and the

conditions thereto have been satisfied, the second Renewal Term shall commence immediately following the first Renewal Term. The right of renewal herein granted to Tenant shall be subject to, and shall be exercised in accordance with, the following terms and conditions:

(a) Tenant shall exercise its right of renewal with respect to each Renewal Term by giving Landlord written notice thereof not earlier than twenty-four (24) months and not later than twelve (12) months prior to the expiration date of the then-current Lease Term. Tenant's exercise of each right of renewal shall be irrevocable and shall be binding upon both Landlord and Tenant.

(b) In the event a renewal option notice is not given timely, Tenant's right of renewal with respect to such Renewal Term shall lapse and be of no further force or effect.

(c) Each renewal option may be exercised only with respect to the entire Premises.

(d) All the terms, conditions, covenants and agreements set forth in this Lease shall continue to apply and be binding upon Landlord and Tenant during the Renewal Term, except for the determination of monthly Base Rent as set forth in Section 26.2 below.

(e) In the event there exists an Event of Default under this Lease on the date a renewal option notice is sent or on the date such Renewal Term is to commence, then, at Landlord's option, such Renewal Term shall not commence and the Lease Term shall expire at the date the Lease Term would have expired without such renewal.

(f) The renewal option shall be exercised only by the original Tenant hereunder, and not by any assignee or subtenant other than a Permitted Transferee which is an assignee or subtenant of the entire Premises. In the event the original Tenant hereunder assigns its interest in this Lease to any other entity, Tenant's rights under this Section 26.1 shall lapse as though this Section 26.1 had never been included in this Lease.

26.2 During each Renewal Term, the annual base rent shall be equal to ninety-five percent (95%) of Market Rent for the applicable Renewal Term as determined below.

26.3 The "*Market Rent*" for each Renewal Term shall mean the arms length fair market annual rental rate per rentable square foot determined on a triple-net basis under all leases (including, without limitation, new leases and renewal leases, but not subleases) entered into on or about the date on which the Market Rent is being determined hereunder for space comparable (in terms of rentable square footage and physical quality) to the Premises in the Dulles Corridor, Virginia area. The determination of Market Rent shall take into account any material economic differences between the terms of this Lease and any comparison lease, such as the presence or absence of the obligation to pay a leasing commission, additional rent required, the load factor for the applicable spaces, the length of the term for such leases, rent abatements, tenant improvement obligations, free rent periods, moving allowances, design allowances, the manner, if any, in which the landlord under any such lease is reimbursed for operating expenses and taxes, signage rights and any other concessions. Market Rent shall specifically not include or take into account any alterations, equipment, fixtures or trade fixtures installed by Tenant in the Premises nor shall it include or take into account any value attributable to the in-place customers, licensees or subtenants of Tenant.

26.4 Following the giving of the renewal option notice, Landlord and Tenant shall commence negotiations concerning the amount of Market Rent. The parties shall have thirty (30) days after the date Tenant delivers its renewal option notice in which to agree on such Market Rent.

In the event Landlord and Tenant do not reach agreement concerning the Market Rent, then Landlord and Tenant shall each designate an independent, licensed real estate broker within seven (7) days from the expiration of the thirty (30) day period described in subsection (a) above, who shall have more than five (5) years' experience as a real estate broker specializing in commercial leasing and who shall be familiar with the commercial real estate market in which the Building is located. Said brokers shall each determine the Market Rent within fifteen (15) days of the appointment of the later of such two (2) brokers. If the lower of the two determinations is not less than ninety-five percent (95%) of the higher of the two determinations, then the Market Rent shall be the average of the two determinations. If the lower of the two determinations is less than ninety-five percent (95%) of the higher of the two determinations, then the two brokers shall render separate written reports of their determinations and within fifteen (15) days thereafter the two brokers shall appoint a third broker with like qualifications. Such third broker shall be furnished the written reports of the first two brokers. Within fifteen (15) days after the appointment of the third (3rd) broker, the third broker shall determine which of the Market Rents determined by the first two (2) brokers most closely reflects the Market Rent. The third broker may not do anything other than select between the two (2) original determinations of the Market Rent. Landlord and Tenant shall each bear the cost of its broker and shall share equally the cost of the third broker.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease under seal on or as of the day and year first above written.

LANDLORD:

EDEN VENTURES LLC, a Delaware limited liability company

WITNESS:

/s/ John Toole

By: **EDEN VENTURES LLC**,
its Managing member

By: /s/ Lammot J. Dupont

Managing Member

TENANT:

EQUINIX, INC., a Delaware corporation

WITNESS:

/s/ Kristine G. Mostofizadeh

By: /s/ Renee F. Lanam

Name: Renee F. Lanam

Title: CFO

17 June 2004

Mitsubishi Electric Information Network Corporation
4-4 Kojimachi I-Chome
Chlyooa-ku
Tokyo 102-0083
Japan

Attention: Mr. Yasuaki Hirano/Mr.Ohashi Kazuo

Dear Hirano-san and Ohashi-san

LEASE OF B-BLOCK OF TRC C-BUILDING AT 1-1 HEIWJIMA, 5-CHOME, OOTA-KU, TOKYO 143-0006, JAPAN

Thank you for your efforts in trying to resolve the claim by Equinix against MIND for the reduction of rent at B-Block of TRC C-Building.

We believe that we have now reached an agreement on the rent reduction issue, in the following manner:

1. MIND will reduce Equinix's current payment for Fixed Costs by JPY 3.5 million per month.

For the avoidance of doubt, such Fixed Costs consist of the following:

- (i) Rent for space;
- (ii) Monthly Fee for Medium Voltage Switchgear Equipment;
- (iii) Cleaning of Common Area;
- (iv) Maintenance & Management Fee for Common Equipment.

Therefore, the revised invoice amount will be as follows:

The current Fixed Costs

less JPY 3.5 million

plus Maintenance of Equipment (less any refundment of Maintenance Equipment)

plus Shared Expenses of Repair (up to May 2006)

plus Actual costs incurred directly by Equinix for monthly fees for commercial power, water service, electricity bill for the elevator for cargo, and the network from TRC to NF Park.

2. Equinix agrees to withdraw its existing claim against MIND and not to exercise its right to require rent reduction under the Japanese Land and Building Lease Act unless there has been a 15% or more reduction in the rental rates of similar raw warehouse space ("Rental Reduction"). For the determination of Rental Reduction, Equinix shall be entitled to rely on a Index published by any major global appraisal company, including but not limited to CB Richard Ellis, Jones Lang LaSalle and Cushman & Wakefield.
3. This reduction in rental payment will be effective from 1 April 2004 and expire at the end of the term of First Amendment of Co-location Sub-lease Agreement dated 31 Oct. 2000 between MIND and Equinix.
4. In relation to shared costs, both parties agree to use all best endeavors to have further cost reductions, including maintenance, management and other related costs. Both parties will review such costs periodically (no less than every six months) with a view to reducing the shared costs.

Accepted by:

/s/ DAVID WILKINSON

David Wilkinson
Country Manager
Equinix Japan K.K.

Date: 21st June 2004

Accepted by:

/s/ YASUAKI HIRANO

Yasuaki Hirano
General Manager, International Dept
Mitsubishi Electric Information
Network Corporation

Date: 18 June, 2004

EQUINIX, INC.

2004 INTERNATIONAL EMPLOYEE STOCK PURCHASE PLAN

(AS ADOPTED EFFECTIVE JUNE 3, 2004)

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EQUINIX, INC.

2004 INTERNATIONAL EMPLOYEE STOCK PURCHASE PLAN

SECTION 1. PURPOSE OF THE PLAN.

The Board adopted the International Plan to be effective as of June 3, 2004. The purpose of the International Plan is to provide Eligible Employees with an opportunity to increase their proprietary interest in the success of the Company by purchasing Stock from the Company on favorable terms and to pay for such purchases through payroll deductions. The International Plan is not intended to qualify under section 423 of the Code.

SECTION 2. ADMINISTRATION OF THE PLAN.

(a) **Committee Composition.** The Committee shall administer the International Plan. The Committee shall consist exclusively of one or more directors of the Company, who shall be appointed by the Board.

(b) **Committee Responsibilities.** The Committee shall interpret the International Plan and make all other policy decisions relating to the operation of the International Plan. The Committee may adopt such rules, guidelines and forms as it deems appropriate to implement the International Plan. The Committee's determinations under the International Plan shall be final and binding on all persons.

SECTION 3. ENROLLMENT AND PARTICIPATION.

(a) **Offering Periods.** While the International Plan is in effect, two overlapping Offering Periods shall commence in each calendar year. The Offering Periods shall consist of the 24-month periods commencing on each February 15 and August 15 or such other periods or dates selected from time to time by the Committee.

(b) **Accumulation Periods.** While the International Plan is in effect, two Accumulation Periods shall commence in each calendar year. The Accumulation Periods shall consist of the six-month periods commencing on each February 15 and August 15 or such other periods or dates selected from time to time by the Committee.

(c) **Enrollment.** Any individual who, on the day preceding the first day of an Offering Period, qualifies as an Eligible Employee may elect to become a Participant in the International Plan for such Offering Period by executing the enrollment form prescribed for this purpose by the Committee. The Committee may require the completion of a period of eligibility service for all Eligible Employees prior to the start of any Offering Period. The enrollment form shall be filed with the Company at the prescribed location not later than 10 business days prior to the commencement of such Offering Period, except that the Company may announce a deadline that is less than 10 business days prior to the commencement of an Offering Period.

(d) **Duration of Participation.** Once enrolled in the International Plan, a Participant shall continue to participate in the International Plan until he or she ceases to be an Eligible Employee, withdraws from the International Plan under Section 5(a) or reaches the end of the Accumulation Period in which his or her employee contributions were discontinued under Section 4(d) or 8(b). A Participant who discontinued employee contributions under Section 4(d) or withdrew from the International Plan under Section 5(a) may again become a Participant, if he or she then is an Eligible Employee, by following the procedure described in Subsection (c) above. A Participant whose employee contributions were discontinued automatically under Section 8(b) shall automatically resume participation at the beginning of the earliest Accumulation Period ending in the next calendar year, if he or she then is an Eligible Employee.

(e) **Applicable Offering Period.** For purposes of calculating the Purchase Price under Section 7(b), the applicable Offering Period shall be determined as follows:

(i) Once a Participant is enrolled in the International Plan for an Offering Period, such Offering Period shall continue to apply to him or her until the earliest of (A) the end of such Offering Period, (B) the end of his or her participation under Subsection (d) above or (C) re-enrollment for a subsequent Offering Period under Paragraph (ii) or (iii) below.

(ii) In the event that the Fair Market Value of Stock on the last trading day before the commencement of the Offering Period for which the Participant is enrolled is higher than on the last trading day before the commencement of any subsequent Offering Period, the Participant shall automatically be re-enrolled for such subsequent Offering Period.

(iii) Any other provision of the International Plan notwithstanding, the Company (at its sole discretion) may determine prior to the commencement of any new Offering Period that all Participants shall be re-enrolled for such new Offering Period.

(iv) When a Participant reaches the end of an Offering Period but his or her participation is to continue, then such Participant shall automatically be re-enrolled for the Offering Period that commences immediately after the end of the prior Offering Period.

SECTION 4. EMPLOYEE CONTRIBUTIONS.

(a) **Frequency of Payroll Deductions.** A Participant may purchase shares of Stock under the International Plan solely by means of payroll deductions. Payroll deductions, as designated by the Participant pursuant to Subsection (b) below, shall occur on each payday during participation in the International Plan.

(b) **Amount of Payroll Deductions.** An Eligible Employee shall designate on the enrollment form the portion of his or her Compensation that he or she elects to have withheld for the purchase of Stock. Such portion shall be a whole percentage of the Eligible Employee's Compensation, but not less than 1% nor more than 15% or such lesser percentage

established by the Committee from time to time. The payroll deductions authorized by the Participant for purposes of acquiring shares of Stock under the International Plan shall be collected in the currency in which the Participant is paid his or her compensation. Any changes or fluctuations in the exchange rate at which the currency collected from the Participant through such payroll deductions is converted into U.S. Dollars on each purchase date under the International Plan shall be borne solely by the Participant. However, to the extent required or deemed advisable by the Committee to comply with applicable laws or regulations, payroll deductions shall be remitted to the Company immediately upon deduction and converted into U.S. Dollars promptly upon receipt by the Company.

(c) **Changing Withholding Rate.** If a Participant wishes to change the rate of payroll withholding, he or she may do so by filing a new enrollment form with the Company at the prescribed location at any time. The new withholding rate shall be effective as soon as reasonably practicable after the Company has received such form. The new withholding rate shall be a whole percentage of the Eligible Employee's Compensation, but not less than 1% nor more than 15%.

(d) **Discontinuing Payroll Deductions.** If a Participant wishes to discontinue employee contributions entirely, he or she may do so by filing a new enrollment form with the Company at the prescribed location at any time. Payroll withholding shall cease as soon as reasonably practicable after the Company has received such form. (In addition, employee contributions may be discontinued automatically pursuant to Section 8(b).) A Participant who has discontinued employee contributions may resume such contributions by filing a new enrollment form with the Company at the prescribed location. Payroll withholding shall resume as soon as reasonably practicable after the Company has received such form.

(e) **Limit on Number of Elections.** No Participant shall make more than two elections under Subsection (c) or (d) above during any Accumulation Period or such lesser or greater number of elections as may be permitted by the Committee.

SECTION 5. WITHDRAWAL FROM THE PLAN.

(a) **Withdrawal.** A Participant may elect to withdraw from the International Plan by filing the prescribed form with the Company at the prescribed location at any time before the last day of an Accumulation Period. As soon as reasonably practicable thereafter, payroll deductions shall cease and the entire amount credited to the Participant's Plan Account shall be refunded to him or her in cash in the currency in which the Participant is paid, without interest (except to the extent otherwise required by applicable law). No partial withdrawals shall be permitted.

(b) **Re-Enrollment After Withdrawal.** A former Participant who has withdrawn from the International Plan shall not be a Participant until he or she re-enrolls in the International Plan under Section 3(c). Re-enrollment may be effective only at the commencement of an Offering Period.

SECTION 6. CHANGE IN EMPLOYMENT STATUS.

(a) **Termination of Employment.** Termination of employment as an Eligible Employee for any reason, including death, shall be treated as an automatic withdrawal from the International Plan under Section 5(a). (A transfer from one Participating Company to another shall not be treated as a termination of employment.)

(b) **Leave of Absence.** For purposes of the International Plan, employment shall not be deemed to terminate when the Participant goes on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. Employment, however, shall be deemed to terminate 90 days after the Participant goes on a leave, unless a contract or statute guarantees his or her right to return to work. Employment shall be deemed to terminate in any event when the approved leave ends, unless the Participant immediately returns to work.

(c) **Death.** In the event of the Participant's death, the amount credited to his or her Plan Account shall be paid to a beneficiary designated by him or her for this purpose on the prescribed form or, if none, to the Participant's estate. Such form shall be valid only if it was filed with the Company at the prescribed location before the Participant's death.

SECTION 7. PLAN ACCOUNTS AND PURCHASE OF SHARES.

(a) **Plan Accounts.** The Company shall maintain a Plan Account on its books in the name of each Participant. Whenever an amount is deducted from the Participant's Compensation under the International Plan, such amount shall be credited to the Participant's Plan Account. Amounts credited to Plan Accounts shall not be trust funds and may be commingled with the Company's general assets and applied to general corporate purposes. No interest shall be credited to Plan Accounts, except to the extent otherwise required by applicable law.

(b) **Purchase Price.** The Purchase Price for each share of Stock purchased at the close of an Accumulation Period shall be that price determined by the Committee and announced prior to the first business day of an Offering Period and shall not be less than the lower of:

(i) 85% of the Fair Market Value of such share on the last trading day in such Accumulation Period; or

(ii) 85% of the Fair Market Value of such share on the last trading day before the commencement of the applicable Offering Period (as determined under Section 3(e)).

(c) **Number of Shares Purchased.** As of the last day of each Accumulation Period, each Participant shall be deemed to have elected to purchase the number of shares of Stock calculated in accordance with this Subsection (c), unless the Participant has previously elected to withdraw from the International Plan in accordance with Section 5(a). On the last U.S. business day of each Contribution Period, the payroll deductions, in the currency in which

collected from the Participant, shall be converted into U.S. Dollars at the exchange rate in effect for that day. The amount then in the Participant's Plan Account shall be divided by the Purchase Price, and the number of shares that results shall be purchased from the Company with the funds in the Participant's Plan Account. The foregoing notwithstanding, no Participant shall purchase more than 2,500 shares of Stock (or such lesser number announced by the Committee prior to the start of an Offering Period) with respect to any Accumulation Period nor more than the amounts of Stock set forth in Sections 8(b) and 13(a). The Committee may determine with respect to all Participants that any fractional share, as calculated under this Subsection (c), shall be (i) rounded down to the next lower whole share or (ii) credited as a fractional share.

(d) **Available Shares Insufficient.** In the event that the aggregate number of shares that all Participants elect to purchase during an Accumulation Period exceeds the maximum number of shares remaining available for issuance under Section 13(a), then the number of shares to which each Participant is entitled shall be determined by multiplying the number of shares available for issuance by a fraction. The numerator of such fraction is the number of shares that such Participant has elected to purchase, and the denominator of such fraction is the number of shares that all Participants have elected to purchase.

(e) **Issuance of Stock.** Certificates representing the shares of Stock purchased by a Participant under the International Plan shall be issued to him or her as soon as reasonably practicable after the close of the applicable Accumulation Period, except that the Committee may determine that such shares shall be held for each Participant's benefit by a broker designated by the Committee (unless the Participant has elected that certificates be issued to him or her). The Committee may impose such restrictions on the transfer or resale of issued shares as it may deem advisable.

(f) **Tax Withholding.** To the extent required by applicable federal, state, local or foreign law, a Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the International Plan. The Company shall not be required to issue any shares of Stock under the International Plan until such obligations are satisfied.

(g) **Unused Cash Balances.** An amount remaining in the Participant's Plan Account that represents the Purchase Price for any fractional share shall be carried over in the Participant's Plan Account to the next Accumulation Period. Any amount remaining in the Participant's Plan Account that represents the Purchase Price for whole shares that could not be purchased by reason of Subsection (c) above, Section 8(b) or Section 13(a) shall be refunded to the Participant in cash, without interest.

(h) **Stockholder Approval.** Any other provision of the International Plan notwithstanding, no shares of Stock shall be purchased under the International Plan unless and until the Company's stockholders have approved the adoption of the International Plan.

SECTION 8. LIMITATIONS ON STOCK OWNERSHIP.

(a) **Five Percent Limit.** Unless the Board elects to waive this provision, then any other provision of the International Plan notwithstanding, no Participant shall be granted a

right to purchase Stock under the International Plan if such Participant, immediately after his or her election to purchase such Stock, would own stock possessing more than 5% of the total combined voting power or value of all classes of stock of the Company or any parent or Subsidiary of the Company. For purposes of this Subsection (a), the following rules shall apply:

- (i) Ownership of stock shall be determined after applying the attribution rules of section 424(d) of the Code;
- (ii) Each Participant shall be deemed to own any stock that he or she has a right or option to purchase under this or any other employee stock purchase plan; and
- (iii) Each Participant shall be deemed to have the right to purchase 2,500 shares of Stock under this Plan with respect to each Accumulation Period.

(b) **Dollar Limit.** Unless the Board elects to waive this provision, then any other provision of the International Plan notwithstanding, no Participant shall purchase Stock with a Fair Market Value in excess of the following limit:

(i) In the case of Stock purchased during an Offering Period that commenced in the current calendar year, the limit shall be equal to (A) \$25,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased in the current calendar year (under this Plan and all other employee stock purchase plans of the Company or any parent or Subsidiary of the Company).

(ii) In the case of Stock purchased during an Offering Period that commenced in the immediately preceding calendar year, the limit shall be equal to (A) \$50,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased (under this Plan and all other employee stock purchase plans of the Company or any parent or Subsidiary of the Company) in the current calendar year and in the immediately preceding calendar year.

(iii) In the case of Stock purchased during an Offering Period that commenced in the second preceding calendar year, the limit shall be equal to (A) \$75,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased (under this Plan and all other employee stock purchase plans of the Company or any parent or Subsidiary of the Company) in the current calendar year and in the two preceding calendar years.

For purposes of this Subsection (b), the Fair Market Value of Stock shall be determined in each case as of the beginning of the Offering Period in which such Stock is purchased. Employee stock purchase plans not described in section 423 of the Code shall be disregarded. If a Participant is precluded by this Subsection (b) from purchasing additional Stock under the International Plan, then his or her employee contributions shall automatically be discontinued and shall resume at the beginning of the earliest Accumulation Period ending in the next calendar year (if he or she then is an Eligible Employee).

SECTION 9. RIGHTS NOT TRANSFERABLE.

The rights of any Participant under the International Plan, or any Participant's interest in any Stock or moneys to which he or she may be entitled under the International Plan, shall not be transferable by voluntary or involuntary assignment or by operation of law, or in any other manner other than by beneficiary designation or the laws of descent and distribution. If a Participant in any manner attempts to transfer, assign or otherwise encumber his or her rights or interest under the International Plan, other than by beneficiary designation or the laws of descent and distribution, then such act shall be treated as an election by the Participant to withdraw from the International Plan under Section 5(a).

SECTION 10. NO RIGHTS AS AN EMPLOYEE.

Nothing in the International Plan or in any right granted under the International Plan shall confer upon the Participant any right to continue in the employ of a Participating Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Participating Companies or of the Participant, which rights are hereby expressly reserved by each, to terminate his or her employment at any time and for any reason, with or without cause.

SECTION 11. NO RIGHTS AS A STOCKHOLDER.

A Participant shall have no rights as a stockholder with respect to any shares of Stock that he or she may have a right to purchase under the International Plan until such shares have been purchased on the last day of the applicable Accumulation Period.

SECTION 12. SECURITIES LAW REQUIREMENTS.

Shares of Stock shall not be issued under the International Plan unless the issuance and delivery of such shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded.

SECTION 13. STOCK OFFERED UNDER THE PLAN.

(a) **Authorized Shares.** The number of shares of Stock available for purchase in the aggregate under the International Plan and the U.S. Plan shall be 500,000 (subject to adjustment pursuant to this Section 13). On January 1 of each year, commencing with January 1, 2005, the aggregate number of shares of Stock available for purchase during the life of the International Plan and the U.S. Plan shall automatically be increased by a number equal to the lesser of 2% of the total number of shares of Common Stock then outstanding or 500,000 shares.

(b) **Anti-Dilution Adjustments.** The aggregate number of shares of Stock offered under the International Plan, the 2,500-share limitation described in Section 7(c), the 500,000-share limitation described in Section 13(a) and the price of shares that any Participant has elected to purchase shall be adjusted proportionately by the Committee for any increase or decrease in the number of outstanding shares of Stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend, any other increase or decrease in such shares effected without receipt or payment of consideration by the Company, the distribution of the shares of a Subsidiary to the Company's stockholders or a similar event.

(c) **Reorganizations.** Any other provision of the International Plan notwithstanding, immediately prior to the effective time of a Corporate Reorganization, the Offering Period and Accumulation Period then in progress shall terminate and shares shall be purchased pursuant to Section 7, unless the International Plan is continued or assumed by the surviving corporation or its parent corporation. The International Plan shall in no event be construed to restrict in any way the Company's right to undertake a dissolution, liquidation, merger, consolidation or other reorganization.

SECTION 14. AMENDMENT OR DISCONTINUANCE.

The Board shall have the right to amend, suspend or terminate the International Plan at any time and without notice. The Company's Chief Executive Officer may also amend the International Plan to the extent allowable under applicable law to effect non-material amendments. Except as provided in Section 13, any increase in the aggregate number of shares of Stock to be issued under the International Plan shall be subject to approval by a vote of the stockholders of the Company. In addition, any other amendment of the International Plan shall be subject to approval by a vote of the stockholders of the Company to the extent required by an applicable law or regulation. The International Plan shall terminate automatically 10 years after its adoption by the Board, unless (a) the International Plan is extended by the Board and (b) the extension is approved within 12 months by a vote of the stockholders of the Company.

SECTION 15. DEFINITIONS.

(a) **"Accumulation Period"** means a six-month period during which contributions may be made toward the purchase of Stock under the International Plan, as determined pursuant to Section 3(b).

(b) **"Board"** means the Board of Directors of the Company, as constituted from time to time.

(c) **"Code"** means the Internal Revenue Code of 1986, as amended.

(d) **"Committee"** means a committee of the Board, as described in Section 2.

(e) **"Company"** means Equinix, Inc., a Delaware corporation.

(f) **"Compensation"** means (i) the total compensation paid in cash to a Participant by a Participating Company, including salaries, wages, bonuses, incentive

compensation, commissions, overtime pay and shift premiums, plus (ii) any pre-tax contributions made by the Participant under section 401(k) or 125 of the Code or similar provision of the laws of the country where the Participant resides. "Compensation" shall exclude all non-cash items, moving or relocation allowances, cost-of-living equalization payments, car allowances, tuition reimbursements, imputed income attributable to cars or life insurance, severance pay, fringe benefits, contributions or benefits received under employee benefit plans, income attributable to the exercise of stock options, and similar items. The Committee shall determine whether a particular item is included in Compensation.

(g) "**Corporate Reorganization**" means:

- (i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization; or
- (ii) The sale, transfer or other disposition of all or substantially all of the Company's assets or the complete liquidation or dissolution of the Company.

(h) "**Eligible Employee**" means any employee of a Participating Company who is not a U.S. citizen or is a U.S. citizen working abroad who is not paid in U.S. currency and whose customary employment is for more than five months per calendar year and for more than 20 hours per week. The foregoing notwithstanding, an individual shall not be considered an Eligible Employee if his or her participation in the International Plan is prohibited by the law of any country which has jurisdiction over him or her or if he or she is subject to a collective bargaining agreement that does not provide for participation in the International Plan.

(i) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(j) "**Fair Market Value**" means the market price of Stock, determined by the Committee as follows:

- (i) If the Stock was traded on The Nasdaq National Market or The Nasdaq SmallCap Market on the date in question, then the Fair Market Value shall be equal to the last-transaction price quoted for such date by such Market;
- (ii) If the Stock was traded on a stock exchange on the date in question, then the Fair Market Value shall be equal to the closing price reported by the applicable composite transactions report for such date; or
- (iii) If none of the foregoing provisions is applicable, then the Committee shall determine the Fair Market Value in good faith on such basis as it deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in The Wall Street Journal or as reported directly to the Company by Nasdaq or a stock exchange. Such determination shall be conclusive and binding on all persons.

(k) “**Offering Period**” means a 24-month period with respect to which the right to purchase Stock may be granted under the International Plan, as determined pursuant to Section 3(a).

(l) “**Participant**” means an Eligible Employee who elects to participate in the International Plan, as provided in Section 3(c).

(m) “**Participating Company**” means (i) the Company and (ii) each present or future Subsidiary designated by the Committee as a Participating Company.

(n) “**International Plan**” means this Equinix, Inc. 2004 International Employee Stock Purchase Plan, as it may be amended from time to time.

(o) “**Plan Account**” means the account established for each Participant pursuant to Section 7(a).

(p) “**Purchase Price**” means the price at which Participants may purchase Stock under the International Plan, as determined pursuant to Section 7(b).

(q) “**Stock**” means the Common Stock of the Company.

(r) “**Subsidiary**” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(s) “**U.S. Plan**” means the Company’s 2004 Employee Stock Purchase Plan, as it may be amended from time to time.

EQUINIX, INC.

2004 EMPLOYEE STOCK PURCHASE PLAN

(AS ADOPTED EFFECTIVE JUNE 3, 2004)

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EQUINIX, INC.

2004 EMPLOYEE STOCK PURCHASE PLAN

SECTION 1. PURPOSE OF THE PLAN.

The Board adopted the Plan to be effective as of June 3, 2004. The purpose of the Plan is to provide Eligible Employees with an opportunity to increase their proprietary interest in the success of the Company by purchasing Stock from the Company on favorable terms and to pay for such purchases through payroll deductions. The Plan is intended to qualify under section 423 of the Code.

SECTION 2. ADMINISTRATION OF THE PLAN.

(a) **Committee Composition.** The Committee shall administer the Plan. The Committee shall consist exclusively of one or more directors of the Company, who shall be appointed by the Board.

(b) **Committee Responsibilities.** The Committee shall interpret the Plan and make all other policy decisions relating to the operation of the Plan. The Committee may adopt such rules, guidelines and forms as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

SECTION 3. ENROLLMENT AND PARTICIPATION.

(a) **Offering Periods.** While the Plan is in effect, two overlapping Offering Periods shall commence in each calendar year. The Offering Periods shall consist of the 24-month periods commencing on each February 15 and August 15 or such other periods or dates selected from time to time by the Committee.

(b) **Accumulation Periods.** While the Plan is in effect, two Accumulation Periods shall commence in each calendar year. The Accumulation Periods shall consist of the six-month periods commencing on each February 15 and August 15 or such other periods or dates selected from time to time by the Committee.

(c) **Enrollment.** Any individual who, on the day preceding the first day of an Offering Period, qualifies as an Eligible Employee may elect to become a Participant in the Plan for such Offering Period by executing the enrollment form prescribed for this purpose by the Committee. The Committee may require the completion of a period of eligibility service for all Eligible Employees prior to the start of any Offering Period. The enrollment form shall be filed with the Company at the prescribed location not later than 10 business days prior to the commencement of such Offering Period, except that the Company may announce a deadline that is less than 10 business days prior to the commencement of an Offering Period.

(d) **Duration of Participation.** Once enrolled in the Plan, a Participant shall continue to participate in the Plan until he or she ceases to be an Eligible Employee, withdraws from the Plan under Section 5(a) or reaches the end of the Accumulation Period in which his or her employee contributions were discontinued under Section 4(d) or 8(b). A Participant who discontinued employee contributions under Section 4(d) or withdrew from the Plan under Section 5(a) may again become a Participant, if he or she then is an Eligible Employee, by following the procedure described in Subsection (c) above. A Participant whose employee contributions were discontinued automatically under Section 8(b) shall automatically resume participation at the beginning of the earliest Accumulation Period ending in the next calendar year, if he or she then is an Eligible Employee.

(e) **Applicable Offering Period.** For purposes of calculating the Purchase Price under Section 7(b), the applicable Offering Period shall be determined as follows:

(i) Once a Participant is enrolled in the Plan for an Offering Period, such Offering Period shall continue to apply to him or her until the earliest of (A) the end of such Offering Period, (B) the end of his or her participation under Subsection (d) above or (C) re-enrollment for a subsequent Offering Period under Paragraph (ii) or (iii) below.

(ii) In the event that the Fair Market Value of Stock on the last trading day before the commencement of the Offering Period for which the Participant is enrolled is higher than on the last trading day before the commencement of any subsequent Offering Period, the Participant shall automatically be re-enrolled for such subsequent Offering Period.

(iii) Any other provision of the Plan notwithstanding, the Company (at its sole discretion) may determine prior to the commencement of any new Offering Period that all Participants shall be re-enrolled for such new Offering Period.

(iv) When a Participant reaches the end of an Offering Period but his or her participation is to continue, then such Participant shall automatically be re-enrolled for the Offering Period that commences immediately after the end of the prior Offering Period.

SECTION 4. EMPLOYEE CONTRIBUTIONS.

(a) **Frequency of Payroll Deductions.** A Participant may purchase shares of Stock under the Plan solely by means of payroll deductions. Payroll deductions, as designated by the Participant pursuant to Subsection (b) below, shall occur on each payday during participation in the Plan.

(b) **Amount of Payroll Deductions.** An Eligible Employee shall designate on the enrollment form the portion of his or her Compensation that he or she elects to have withheld for the purchase of Stock. Such portion shall be a whole percentage of the Eligible Employee's Compensation, but not less than 1% nor more than 15%.

(c) **Changing Withholding Rate.** If a Participant wishes to change the rate of payroll withholding, he or she may do so by filing a new enrollment form with the Company at the prescribed location at any time. The new withholding rate shall be effective as soon as reasonably practicable after the Company has received such form. The new withholding rate shall be a whole percentage of the Eligible Employee's Compensation, but not less than 1% nor more than 15%.

(d) **Discontinuing Payroll Deductions.** If a Participant wishes to discontinue employee contributions entirely, he or she may do so by filing a new enrollment form with the Company at the prescribed location at any time. Payroll withholding shall cease as soon as reasonably practicable after the Company has received such form. (In addition, employee contributions may be discontinued automatically pursuant to Section 8(b).) A Participant who has discontinued employee contributions may resume such contributions by filing a new enrollment form with the Company at the prescribed location. Payroll withholding shall resume as soon as reasonably practicable after the Company has received such form.

(e) **Limit on Number of Elections.** No Participant shall make more than two elections under Subsection (c) or (d) above during any Accumulation Period or such lesser or greater number of elections as may be permitted by the Committee.

SECTION 5. WITHDRAWAL FROM THE PLAN.

(a) **Withdrawal.** A Participant may elect to withdraw from the Plan by filing the prescribed form with the Company at the prescribed location at any time before the last day of an Accumulation Period. As soon as reasonably practicable thereafter, payroll deductions shall cease and the entire amount credited to the Participant's Plan Account shall be refunded to him or her in cash, without interest. No partial withdrawals shall be permitted.

(b) **Re-Enrollment After Withdrawal.** A former Participant who has withdrawn from the Plan shall not be a Participant until he or she re-enrolls in the Plan under Section 3(c). Re-enrollment may be effective only at the commencement of an Offering Period.

SECTION 6. CHANGE IN EMPLOYMENT STATUS.

(a) **Termination of Employment.** Termination of employment as an Eligible Employee for any reason, including death, shall be treated as an automatic withdrawal from the Plan under Section 5(a). (A transfer from one Participating Company to another shall not be treated as a termination of employment.)

(b) **Leave of Absence.** For purposes of the Plan, employment shall not be deemed to terminate when the Participant goes on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. Employment, however, shall be deemed to terminate 90 days after the Participant goes on a leave, unless a contract or statute guarantees his or her right to return to work. Employment shall be deemed to terminate in any event when the approved leave ends, unless the Participant immediately returns to work.

(c) **Death.** In the event of the Participant's death, the amount credited to his or her Plan Account shall be paid to a beneficiary designated by him or her for this purpose on the prescribed form or, if none, to the Participant's estate. Such form shall be valid only if it was filed with the Company at the prescribed location before the Participant's death.

SECTION 7. PLAN ACCOUNTS AND PURCHASE OF SHARES.

(a) **Plan Accounts.** The Company shall maintain a Plan Account on its books in the name of each Participant. Whenever an amount is deducted from the Participant's Compensation under the Plan, such amount shall be credited to the Participant's Plan Account. Amounts credited to Plan Accounts shall not be trust funds and may be commingled with the Company's general assets and applied to general corporate purposes. No interest shall be credited to Plan Accounts.

(b) **Purchase Price.** The Purchase Price for each share of Stock purchased at the close of an Accumulation Period shall be that price determined by the Committee and announced prior to the first business day of an Offering Period and shall not be less than the lower of:

(i) 85% of the Fair Market Value of such share on the last trading day in such Accumulation Period; or

(ii) 85% of the Fair Market Value of such share on the last trading day before the commencement of the applicable Offering Period (as determined under Section 3(e)).

(c) **Number of Shares Purchased.** As of the last day of each Accumulation Period, each Participant shall be deemed to have elected to purchase the number of shares of Stock calculated in accordance with this Subsection (c), unless the Participant has previously elected to withdraw from the Plan in accordance with Section 5(a). The amount then in the Participant's Plan Account shall be divided by the Purchase Price, and the number of shares that results shall be purchased from the Company with the funds in the Participant's Plan Account. The foregoing notwithstanding, no Participant shall purchase more than 2,500 shares of Stock (or such lesser number announced by the Committee prior to the start of an Offering Period) with respect to any Accumulation Period nor more than the amounts of Stock set forth in Sections 8(b) and 13(a). The Committee may determine with respect to all Participants that any fractional share, as calculated under this Subsection (c), shall be (i) rounded down to the next lower whole share or (ii) credited as a fractional share.

(d) **Available Shares Insufficient.** In the event that the aggregate number of shares that all Participants elect to purchase during an Accumulation Period exceeds the maximum number of shares remaining available for issuance under Section 13(a), then the number of shares to which each Participant is entitled shall be determined by multiplying the number of shares available for issuance by a fraction. The numerator of such fraction is the number of shares that such Participant has elected to purchase, and the denominator of such fraction is the number of shares that all Participants have elected to purchase.

(e) **Issuance of Stock.** Certificates representing the shares of Stock purchased by a Participant under the Plan shall be issued to him or her as soon as reasonably practicable after the close of the applicable Accumulation Period, except that the Committee may determine that such shares shall be held for each Participant's benefit by a broker designated by the Committee (unless the Participant has elected that certificates be issued to him or her).

(f) **Tax Withholding.** To the extent required by applicable federal, state, local or foreign law, a Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any shares of Stock under the Plan until such obligations are satisfied.

(g) **Unused Cash Balances.** An amount remaining in the Participant's Plan Account that represents the Purchase Price for any fractional share shall be carried over in the Participant's Plan Account to the next Accumulation Period. Any amount remaining in the Participant's Plan Account that represents the Purchase Price for whole shares that could not be purchased by reason of Subsection (c) above, Section 8(b) or Section 13(a) shall be refunded to the Participant in cash, without interest.

(h) **Stockholder Approval.** Any other provision of the Plan notwithstanding, no shares of Stock shall be purchased under the Plan unless and until the Company's stockholders have approved the adoption of the Plan.

SECTION 8. LIMITATIONS ON STOCK OWNERSHIP.

(a) **Five Percent Limit.** Any other provision of the Plan notwithstanding, no Participant shall be granted a right to purchase Stock under the Plan if such Participant, immediately after his or her election to purchase such Stock, would own stock possessing more than 5% of the total combined voting power or value of all classes of stock of the Company or any parent or Subsidiary of the Company. For purposes of this Subsection (a), the following rules shall apply:

- (i) Ownership of stock shall be determined after applying the attribution rules of section 424(d) of the Code;
- (ii) Each Participant shall be deemed to own any stock that he or she has a right or option to purchase under this or any other plan; and
- (iii) Each Participant shall be deemed to have the right to purchase 2,500 shares of Stock under this Plan with respect to each Accumulation Period.

(b) **Dollar Limit.** Any other provision of the Plan notwithstanding, no Participant shall purchase Stock with a Fair Market Value in excess of the following limit:

- (i) In the case of Stock purchased during an Offering Period that commenced in the current calendar year, the limit shall be equal to (A) \$25,000 minus (B) the Fair Market Value of the Stock that the Participant previously

purchased in the current calendar year (under this Plan and all other employee stock purchase plans of the Company or any parent or Subsidiary of the Company).

(ii) In the case of Stock purchased during an Offering Period that commenced in the immediately preceding calendar year, the limit shall be equal to (A) \$50,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased (under this Plan and all other employee stock purchase plans of the Company or any parent or Subsidiary of the Company) in the current calendar year and in the immediately preceding calendar year.

(iii) In the case of Stock purchased during an Offering Period that commenced in the second preceding calendar year, the limit shall be equal to (A) \$75,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased (under this Plan and all other employee stock purchase plans of the Company or any parent or Subsidiary of the Company) in the current calendar year and in the two preceding calendar years.

For purposes of this Subsection (b), the Fair Market Value of Stock shall be determined in each case as of the beginning of the Offering Period in which such Stock is purchased. Employee stock purchase plans not described in section 423 of the Code shall be disregarded. If a Participant is precluded by this Subsection (b) from purchasing additional Stock under the Plan, then his or her employee contributions shall automatically be discontinued and shall resume at the beginning of the earliest Accumulation Period ending in the next calendar year (if he or she then is an Eligible Employee).

SECTION 9. RIGHTS NOT TRANSFERABLE.

The rights of any Participant under the Plan, or any Participant's interest in any Stock or moneys to which he or she may be entitled under the Plan, shall not be transferable by voluntary or involuntary assignment or by operation of law, or in any other manner other than by beneficiary designation or the laws of descent and distribution. If a Participant in any manner attempts to transfer, assign or otherwise encumber his or her rights or interest under the Plan, other than by beneficiary designation or the laws of descent and distribution, then such act shall be treated as an election by the Participant to withdraw from the Plan under Section 5(a).

SECTION 10. NO RIGHTS AS AN EMPLOYEE.

Nothing in the Plan or in any right granted under the Plan shall confer upon the Participant any right to continue in the employ of a Participating Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Participating Companies or of the Participant, which rights are hereby expressly reserved by each, to terminate his or her employment at any time and for any reason, with or without cause.

SECTION 11. NO RIGHTS AS A STOCKHOLDER.

A Participant shall have no rights as a stockholder with respect to any shares of Stock that he or she may have a right to purchase under the Plan until such shares have been purchased on the last day of the applicable Accumulation Period.

SECTION 12. SECURITIES LAW REQUIREMENTS.

Shares of Stock shall not be issued under the Plan unless the issuance and delivery of such shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded.

SECTION 13. STOCK OFFERED UNDER THE PLAN.

(a) **Authorized Shares.** The number of shares of Stock available in the aggregate for purchase under the Plan and the International Plan shall be 500,000 (subject to adjustment pursuant to this Section 13). On January 1 of each year, commencing with January 1, 2005, the aggregate number of shares of Stock available for purchase during the life of the Plan and the International Plan shall automatically be increased by a number equal to the lesser of 2% of the total number of shares of Common Stock then outstanding or 500,000 shares.

(b) **Anti-Dilution Adjustments.** The aggregate number of shares of Stock offered under the Plan, the 2,500-share limitation described in Section 7(c), the 500,000-share limitation described in Section 13(a) and the price of shares that any Participant has elected to purchase shall be adjusted proportionately by the Committee for any increase or decrease in the number of outstanding shares of Stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend, any other increase or decrease in such shares effected without receipt or payment of consideration by the Company, the distribution of the shares of a Subsidiary to the Company's stockholders or a similar event.

(c) **Reorganizations.** Any other provision of the Plan notwithstanding, immediately prior to the effective time of a Corporate Reorganization, the Offering Period and Accumulation Period then in progress shall terminate and shares shall be purchased pursuant to Section 7, unless the Plan is continued or assumed by the surviving corporation or its parent corporation. The Plan shall in no event be construed to restrict in any way the Company's right to undertake a dissolution, liquidation, merger, consolidation or other reorganization.

SECTION 14. AMENDMENT OR DISCONTINUANCE.

The Board shall have the right to amend, suspend or terminate the Plan at any time and without notice. The Company's Chief Executive Officer may also amend the Plan to the extent allowable under applicable law to effect non-material amendments. Except as provided in Section 13, any increase in the aggregate number of shares of Stock to be issued under the Plan shall be subject to approval by a vote of the stockholders of the Company. In

addition, any other amendment of the Plan shall be subject to approval by a vote of the stockholders of the Company to the extent required by an applicable law or regulation. The Plan shall terminate automatically 10 years after its adoption by the Board, unless (a) the Plan is extended by the Board and (b) the extension is approved within 12 months by a vote of the stockholders of the Company.

SECTION 15. DEFINITIONS.

(a) “**Accumulation Period**” means a six-month period during which contributions may be made toward the purchase of Stock under the Plan, as determined pursuant to Section 3(b).

(b) “**Board**” means the Board of Directors of the Company, as constituted from time to time.

(c) “**Code**” means the Internal Revenue Code of 1986, as amended.

(d) “**Committee**” means a committee of the Board, as described in Section 2.

(e) “**Company**” means Equinix, Inc., a Delaware corporation.

(f) “**Compensation**” means (i) the total compensation paid in cash to a Participant by a Participating Company, including salaries, wages, bonuses, incentive compensation, commissions, overtime pay and shift premiums, plus (ii) any pre-tax contributions made by the Participant under section 401(k) or 125 of the Code. “Compensation” shall exclude all non-cash items, moving or relocation allowances, cost-of-living equalization payments, car allowances, tuition reimbursements, imputed income attributable to cars or life insurance, severance pay, fringe benefits, contributions or benefits received under employee benefit plans, income attributable to the exercise of stock options, and similar items. The Committee shall determine whether a particular item is included in Compensation.

(g) “**Corporate Reorganization**” means:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization; or

(ii) The sale, transfer or other disposition of all or substantially all of the Company’s assets or the complete liquidation or dissolution of the Company.

(h) “**Eligible Employee**” means any employee of a Participating Company whose customary employment is for more than five months per calendar year and for more than 20 hours per week. The foregoing notwithstanding, an individual shall not be considered an Eligible Employee if his or her participation in the Plan is prohibited by the law of any country which has jurisdiction over him or her or if he or she is subject to a collective bargaining agreement that does not provide for participation in the Plan.

(i) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(j) **“Fair Market Value”** means the market price of Stock, determined by the Committee as follows:

(i) If the Stock was traded on The Nasdaq National Market or The Nasdaq SmallCap Market on the date in question, then the Fair Market Value shall be equal to the last-transaction price quoted for such date by such Market;

(ii) If the Stock was traded on a stock exchange on the date in question, then the Fair Market Value shall be equal to the closing price reported by the applicable composite transactions report for such date; or

(iii) If none of the foregoing provisions is applicable, then the Committee shall determine the Fair Market Value in good faith on such basis as it deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in The Wall Street Journal or as reported directly to the Company by Nasdaq or a stock exchange. Such determination shall be conclusive and binding on all persons.

(k) **“International Plan”** shall mean the Equinix, Inc. 2004 International Employee Stock Purchase Plan, as it may be amended from time to time.

(l) **“Offering Period”** means a 24-month period with respect to which the right to purchase Stock may be granted under the Plan, as determined pursuant to Section 3(a).

(m) **“Participant”** means an Eligible Employee who elects to participate in the Plan, as provided in Section 3(c).

(n) **“Participating Company”** means (i) the Company and (ii) each present or future Subsidiary designated by the Committee as a Participating Company.

(o) **“Plan”** means this Equinix, Inc. 2004 Employee Stock Purchase Plan, as it may be amended from time to time.

(p) **“Plan Account”** means the account established for each Participant pursuant to Section 7(a).

(q) **“Purchase Price”** means the price at which Participants may purchase Stock under the Plan, as determined pursuant to Section 7(b).

(r) **“Stock”** means the Common Stock of the Company.

(s) **“Subsidiary”** means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

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

I, Peter F. Van Camp, certify that:

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

Dated: August 2, 2004

/s/ PETER F. VAN CAMP

Peter F. Van Camp
Chief Executive Officer

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

I, Renee F. Lanam, certify that:

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

Dated: August 2, 2004

/s/ RENEE F. LANAM

Renee F. Lanam

Chief Financial Officer

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

In connection with the Quarterly Report of Equinix, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter F. Van Camp, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ PETER F. VAN CAMP

Peter F. Van Camp
Chief Executive Officer
August 2, 2004

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

In connection with the Quarterly Report of Equinix, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Renée F. Lanam, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ RENEE F. LANAM

Renée F. Lanam
Chief Financial Officer
August 2, 2004