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, 2005

OR

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

For the transition period from______ to ______

Commission File Number 000-31293

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

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

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

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

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

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

The number of shares outstanding of the Registrant's Common Stock as of June 30, 2005 was 23,864,266.

EQUINIX, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	June 30, 2005	December 31, 2004
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 67,146	$ 25,938
Short-term investments	40,974	64,499
Accounts receivable, net	15,720	11,919
Prepaids and other current assets	2,458	4,726
Total current assets	126,298	107,082
Long-term investments	23,909	17,655
Property and equipment, net	345,117	343,361
Goodwill	21,384	22,018
Debt issuance costs, net	2,473	3,164
Other assets	7,804	8,518
Total assets	$ 526,985	$ 501,798
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 26,492	$ 21,028
Accrued interest payable	857	1,706
Current portion of accrued restructuring charge	2,059	1,952
Current portion of debt facility and capital lease obligation	898	675
Other current liabilities	6,663	6,877
Total current liabilities	36,969	32,238
Accrued restructuring charge, less current portion	12,168	12,798
Debt facility and capital lease obligation, less current portion	49,006	34,529
Convertible secured notes	1,950	35,824
Convertible subordinated debentures	86,250	86,250
Deferred rent and other liabilities	29,542	26,453
Total liabilities	215,885	228,092
Stockholders' equity:		
Preferred stock	2	2
Common stock	24	19
Additional paid-in capital	832,922	776,123
Deferred stock-based compensation	(9,295)	(260)
Accumulated other comprehensive income	1,107	2,257
Accumulated deficit	(513,660)	(504,435)
Total stockholders' equity	311,100	273,706
Total liabilities and stockholders' equity	$ 526,985	$ 501,798

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,	
	2005	2004	2005	2004
	(unaudited)			
Revenues	$52,479	$39,423	$101,163	$ 76,243
Costs and operating expenses:				
Cost of revenues	38,811	34,150	75,684	67,935
Sales and marketing	5,145	4,423	9,964	9,065
General and administrative	11,027	8,008	21,516	16,250
Total costs and operating expenses	54,983	46,581	107,164	93,250
Loss from operations	(2,504)	(7,158)	(6,001)	(17,007)
Interest income	902	242	1,569	484
Interest expense	(1,945)	(2,283)	(4,404)	(6,413)
Loss on debt extinguishment and conversion	—	—	—	(16,211)
Net loss before income taxes	(3,547)	(9,199)	(8,836)	(39,147)
Income taxes	116	(6)	(389)	(200)
Net loss	$ (3,431)	$ (9,205)	$ (9,225)	$(39,347)
Net loss per share:				
Basic and diluted	$ (0.14)	$ (0.51)	$ (0.40)	$ (2.33)
Weighted-average shares	23,727	18,191	22,964	16,862

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June 30,	
	2005	**2004**
	(unaudited)	
Cash flows from operating activities:		
Net loss	$ (9,225)	$ (39,347)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	30,608	28,071
Accretion of asset retirement obligation and accrued restructuring charge	692	167
Amortization of intangible assets and non-cash prepaid rent	160	1,094
Amortization of deferred stock-based compensation	4,933	860
Non-cash interest expense	1,173	4,351
Recovery of doubtful accounts	(53)	(49)
Deferred rent	1,099	2,966
Loss on disposal of assets	4	2
Loss on debt extinguishment and conversion	—	16,211
Changes in operating assets and liabilities:		
Accounts receivable	(3,748)	(2,368)
Prepaids and other current assets	2,268	1,521
Other assets	2,118	(170)
Accounts payable and accrued expenses	2,952	1,013
Accrued restructuring charge	(968)	(466)
Accrued interest payable	—	503
Other current liabilities	1,061	954
Other liabilities	468	60
Net cash provided by operating activities	33,542	15,373
Cash flows from investing activities:		
Purchases of investments	(56,377)	(110,669)
Sales of investments	8,602	3,988
Maturities of investments	64,788	104,333
Purchases of property and equipment	(15,413)	(9,162)
Accrued property and equipment	2,512	(1,532)
Net cash provided by (used in) investing activities	4,112	(13,042)
Cash flows from financing activities:		
Proceeds from exercise of warrants, stock options and employee stock purchase plans	7,632	2,590
Proceeds from convertible subordinated debentures	—	86,250
Repayment of debt facilities and capital lease obligations	(4,012)	(3,527)
Repayment of credit facility	—	(34,281)
Repayment of senior notes	—	(30,475)
Debt issuance costs	—	(3,222)
Debt extinguishment costs	—	(2,505)
Net cash provided by financing activities	3,620	14,830
Effect of foreign currency exchange rates on cash and cash equivalents	(66)	31
Net increase in cash and cash equivalents	41,208	17,192
Cash and cash equivalents at beginning of period	25,938	26,869
Cash and cash equivalents at end of period	$ 67,146	$ 44,061
Supplemental cash flow information:		
Cash paid for interest	$ 3,140	$ 1,579

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 fairly state the financial position and the results of operations for the interim periods presented. The balance sheet at December 31, 2004 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 10, 2005. 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.

As of June 30, 2005, the Company had $132.0 million of cash, cash equivalents and short-term and long-term investments. The Company believes that this cash, coupled with anticipated cash flows generated from operations, will be sufficient to meet the Company's capital expenditure, working capital, debt service and corporate overhead requirements within the Company's currently identified business objectives.

Reclassifications

Certain auction rate securities have been reclassified from cash equivalents to short-term investments as of December 31, 2003 and June 30, 2004. This resulted in a reclassification from cash and cash equivalents to short-term investments of $33,559,000 and $7,502,000 on the December 31, 2003 and June 30, 2004 consolidated balance sheets, respectively. In addition, purchases and sales of investments, included in the accompanying consolidated statement of cash flows for the six months ended June 30, 2004, have been revised to reflect the purchase and sale of auction rate securities during this period. Auction rate securities are variable rate bonds tied to short-term interest rates with maturities on the face of the securities in excess of ninety days. Auction rate securities have interest rate resets through a modified Dutch auction, at pre-determined short-term intervals, usually every seven, twenty-eight or thirty-five days. They trade at par and are callable at par on any interest payment date at the option of the issuer. Interest paid during a given period is based upon the interest rate determined during the prior auction. Although these securities are issued and rated as long-term bonds, they are priced and traded as short-term instruments because of the liquidity provided through the interest rate reset. The Company had historically classified these instruments as cash equivalents if the period between interest rate resets was ninety days or less, which was based on our ability to either liquidate our holdings or roll our investment over to the next reset period.

Based upon the Company's re-evaluation of these securities, the Company has reclassified its auction rate securities, previously classified as cash equivalents, as short-term investments. The Company accounts for its marketable securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Such investments are classified as "available-for-sale" and are reported at fair value in the Company's consolidated balance sheets. The short-term nature and structure, the frequency with which the interest rate resets and the ability to sell auction rate securities at par and at the Company's discretion indicates that such securities should more appropriately be classified as short-term investments with the intent of meeting the Company's short-term working capital requirements.

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 Equinix Exchange ports and (3) managed infrastructure services, such as Equinix Direct, bandwidth and other managed 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 other managed 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 longer of the term of the related contract or expected customer relationship. Professional service fees are recognized in the period in which the services were provided and represent the culmination of the earnings process as long as they meet the criteria for separate recognition under EITF Abstract No. 00-21, "Revenue Arrangements with Multiple Deliverables." Revenue from bandwidth and equipment is recognized on a gross basis in accordance with EITF Abstract No. 99-19, "Recording Revenue as a Principal versus Net as an Agent", primarily because the Company acts as the principal in the transaction, takes title to products and services and bears inventory and credit risk. To the extent the Company does not meet the criteria for gross basis accounting for bandwidth and equipment revenue, the Company records the revenue on a net basis. Revenue from contract settlements is recognized on a cash basis when no remaining performance obligations exist to the extent that the revenue has not previously been recognized.

The Company occasionally guarantees certain service levels, such as uptime, as outlined in individual customer contracts. To the extent that these service levels are not achieved, the Company reduces revenue for any credits given to the customer as a result. The Company generally has the ability to determine such service level credits prior to the associated revenue being recognized, and historically, these credits have generally not been significant; however, during the quarter ended June 30, 2005, the Company recorded $360,000 in service level credits to various customers associated with a power outage that affected the Company's Chicago IBX center.

Revenue is recognized only when the service has been provided and when there is persuasive evidence of an arrangement, the fee is fixed or determinable and collection of the receivable is reasonably assured. It is customary business practice to obtain a signed master sales agreement and sales order prior to recognizing revenue in an arrangement. The Company assesses collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. The Company generally does not request collateral from its customers although in certain cases the Company obtains a security interest in a customer's equipment placed in its IBX centers or obtains a deposit. If the Company determines that collection of a fee is not reasonably assured, the Company defers the fee and recognizes revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash. In addition, Equinix also maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments for those customers that the Company had expected to collect the revenues. If the financial condition of Equinix's customers were to deteriorate or if they become insolvent, resulting in an impairment of their ability to make payments, allowances for doubtful accounts may be required. Management specifically analyzes accounts receivable and current economic news and trends, historical bad debts, customer concentrations, customer credit-worthiness and changes in customer payment terms when evaluating revenue recognition and the adequacy of the Company's reserves. A specific bad debt reserve of up to the full amount of a particular invoice value is provided for certain problematic customer balances. A general reserve is established for all other accounts based on the age of the invoices. Delinquent account balances are written-off after management has determined that the likelihood of collection is not probable.

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Net Loss per Share

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

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,	
	2005	**2004**	**2005**	**2004**
Numerator:				
Net loss	$ (3,431)	$ (9,205)	$ (9,225)	$(39,347)
Denominator:				
Total weighted-average shares	23,727	18,191	22,964	16,862
Net loss per share:				
Basic and diluted	$ (0.14)	$ (0.51)	$ (0.40)	$ (2.33)

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,	
	2005	**2004**
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	224,230	3,917,018
Shares reserved for conversion of convertible subordinated debentures	2,183,548	2,183,548
Common stock warrants	152,359	329,954
Common stock related to stock-based compensation plans	4,592,901	4,305,429

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Income Taxes

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

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 months ended June 30, 2005, the Company recorded a tax provision benefit of $116,000 and for the six months ended June 30, 2005, the Company recorded a tax provision of $389,000. For the three and six months ended June 30, 2004, the Company recorded a tax provision of $6,000 and $200,000, respectively. The tax provision recorded in each of these periods is attributable primarily to federal alternative minimum tax. The Company expects the alternative minimum tax situation to continue throughout the current taxable year based on its financial outlook for the year. The Company has recorded this income tax provision within accounts payable and accrued expenses on the accompanying balance sheets as of June 30, 2005 and December 31, 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 and restricted shares is amortized on an accelerated basis over the vesting period of the individual options, in accordance with FASB Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans" ("FASB Interpretation No. 28").

Primarily as a result of employee stock options being granted at exercise prices below fair market value prior to the Company's initial public offering ("IPO") in August 2000, the Company recorded a deferred stock-based compensation charge on its balance sheet of $54,537,000 in 2000, which was amortized over the four-year vesting life of these individual stock options net of the reversal of any previously recorded accelerated stock-based compensation expense due to the forfeitures of those stock options prior to vesting. The amortization of the deferred stock-based compensation related to these pre-IPO stock options ended in August 2004.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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, 2005, there was a total of $124,000 of deferred stock-based compensation remaining to be amortized for this grant to the Company's chief executive officer. The Company expects stock-based compensation expense related to this specific option grant to impact its results of operations through 2006.

In February 2005, the Compensation Committee of the Board of Directors approved the issuance of 320,500 shares of restricted shares of common stock to executive officers pursuant to the 2000 Equity Incentive Plan. The restricted shares are subject to four-year vesting, and will only vest if the stock appreciates to certain pre-determined levels. These restricted shares are a compensatory plan under the provisions of APB Opinion No. 25 and are accounted for as variable awards. As a result, compensation cost will be adjusted for changes in the market price of the Company's common stock until the restricted shares become vested. On the date of grant of the restricted shares in February 2005, the Company recorded a $14,387,000 deferred stock-based compensation charge. For the six month period ended June 30, 2005, the Company recognized a reduction in deferred stock-based compensation of $497,000 as a result of a declining stock price and recorded $2,414,000 and $4,719,000 of stock-based compensation expense related to these restricted shares for the three and six months ended June 30, 2005. As of June 30, 2005, there was a total of $9,171,000 of deferred stock-based compensation remaining to be amortized related to these restricted shares. The Company expects stock-based compensation expense related to these restricted shares to impact its results of operations through 2008.

The following table presents, by operating expense, the Company's amortization of stock-based compensation expense, including the stock-based compensation expense attributed to the Company's restricted stock awards granted in February 2005 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Cost of revenues	$ —	$ 2	$ —	$ 22
Sales and marketing	454	15	901	45
General and administrative	2,035	166	4,032	793
	$ 2,489	$ 183	$4,933	$860

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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,	
	2005	2004	2005	2004
Net loss as reported	$ (3,431)	$ (9,205)	$ (9,225)	$ (39,347)
Stock-based compensation expense included in net loss	2,489	183	4,933	860
Stock-based compensation expense if SFAS No.123 had been adopted	(9,228)	(6,119)	(20,402)	(10,171)
Pro forma net loss	$ (10,170)	$ (15,141)	$ (24,694)	$ (48,658)
Basic and diluted net loss per share:				
As reported	$ (0.14)	$ (0.51)	$ (0.40)	$ (2.33)
Pro forma	(0.43)	(0.83)	(1.08)	(2.89)

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,	
	2005	2004	2005	2004
Dividend yield	0%	0%	0%	0%
Expected volatility	80%	95%	80%	100%
Risk-free interest rate	3.81%	3.90%	3.91%	2.47%
Expected life (in years)	4.00	3.20	4.00	3.50

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Goodwill and Other Intangible Assets

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

	June 30, 2005	December 31, 2004
	(unaudited)	
Goodwill	$ 21,384	$ 22,018
Other intangibles:		
Intangible asset – customer contracts	4,004	4,114
Intangible asset – tradename	309	318
Intangible asset – workforce	160	160
	4,473	4,592
Accumulated amortization	(4,268)	(4,357)
	205	235
	$ 21,589	$ 22,253

Other intangible assets, net, are included in other assets on the accompanying balance sheets as of June 30, 2005 and December 31, 2004.

For the three and six months ended June 30, 2005, the Company recorded amortization expense of $15,000 and $30,000, respectively. For the three and six months ended June 30, 2004, the Company recorded amortization expense of $515,000 and $1,029,000, respectively. The Company expects to record the following amortization expense during the next five years (in thousands):

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2. IBX Acquisitions

San Jose IBX Acquisition

In December 2004, the Company entered into a series of agreements with Abovenet Communications, Inc. (“Abovenet”), including 1) a long-term lease through May 2020 for a 103,000 square foot data center in the Silicon Valley area, 2) an asset purchase agreement to purchase the assets located within this facility, primarily IBX plant and machinery, and 3) an agreement to interconnect all three of its IBX centers in the Silicon Valley through redundant dark fiber links through May 2020, which the Company is managing to allow customers in each center to leverage the benefits of directly interconnecting with other customers in the other centers (collectively, the “San Jose IBX Acquistion”). Payments due to Abovenet for the San Jose IBX Acquisition total $38,379,000, of which $4,224,000 was paid in several upfront lump-sum payments and the remaining $34,155,000 will be paid in monthly installments, which commenced in February 2005, through May 2020.

The Company has accounted for the San Jose IBX Acquisition as a single accounting arrangement with multiple elements. As a result, the Company assessed the fair value of each of the individual elements and then assigned the relative fair value to each individual element. The Company determined that the building component of the San Jose IBX Acquisition is a long-term operating lease (the “San Jose IBX Acquisition Building Operating Lease”) and the equipment and fiber portions of the transaction are financed assets (the “San Jose IBX Acquisition Equipment & Fiber Debt Facility”). The Company took possession of this property during the first quarter of 2005, and as a result, recorded property and equipment and prepaid fiber assets, as well as debt, totaling $18,713,000. Payments under the San Jose IBX Acquisition Equipment & Fiber Debt Facility will be made monthly through May 2020 at an effective interest rate of 8.50% per annum. As of June 30, 2005, principal of $15,023,000 remained outstanding under the San Jose IBX Acquisition Equipment & Fiber Debt Facility. Payments under the San Jose IBX Acquisition Building Operating Lease will also be made monthly through May 2020 and total $7,381,000 in cumulative lease payments.

Sunnyvale IBX Acquisition

In June 2005, the Company entered into a long-term lease for a 120,000 square foot data center in the Silicon Valley area (the “Sunnyvale IBX Acquisition”). This center will be interconnected to the Company’s three other Silicon Valley area IBX centers through redundant dark fiber links that will be managed by the Company to allow customers in each center to leverage the benefits of directly interconnecting with other customers in the other centers. Payments under this lease total $45,255,000, which will be paid in monthly installments, commencing in October 2005 through September 2020 (the “Sunnyvale IBX Lease”).

The Sunnyvale IBX Lease includes the leasing of all of the IBX plant and machinery equipment located within the building. As a result, the Company assessed the fair value of both the building and equipment elements of the Sunnyvale IBX Lease and then assigned its estimate of the relative fair value to each element. The Company determined that the building component of the Sunnyvale IBX Lease is a long-term operating lease (the “Sunnyvale IBX Building Operating Lease”) and the equipment portion of the Sunnyvale IBX Lease is a capital lease (the “Sunnyvale IBX Equipment Capital Lease”). The Company will take possession of this property in October 2005, and as a result, will record IBX equipment assets, as well as a capital lease obligation liability, totaling approximately $20,092,000 at that time. Payments under the Sunnyvale IBX Equipment Capital Lease will be made monthly, commencing October 2005 through September 2020, at an effective interest rate of approximately 7.50% per annum. Payments under the Sunnyvale IBX Building Operating Lease will also be made monthly, commencing October 2005 through September 2020, and total approximately $10,079,000 in cumulative lease payments. The Company intends to begin placing customers in this IBX center in the first half of 2006. The Company’s proposed accounting treatment for the Sunnyvale IBX Lease is based on its preliminary assessment. The Company will have its final accounting treatment for the Sunnyvale IBX Lease completed in the third quarter of 2005.

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3. Related Party Transactions

A significant amount 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, 2005, revenues recognized with related parties, primarily entities affiliated with STT Communications, were $1,708,000 and $3,281,000, respectively, and as of June 30, 2005, accounts receivable with these related parties was $1,016,000. For the three and six months ended June 30, 2005, costs and services procured with related parties, primarily entities affiliated with STT Communications, were $702,000 and $1,496,000, respectively, and as of June 30, 2005, accounts payable with these related parties was $352,000. 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.

4. Accounts Receivable

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

	June 30, 2005	December 31, 2004
	(unaudited)	
Accounts receivable	$ 32,742	$ 26,119
Unearned revenue	(16,770)	(13,863)
Allowance for doubtful accounts	(252)	(337)
	$ 15,720	$ 11,919

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Unearned revenue consists of pre-billing for services that have not yet been provided, but which have been billed to customers ahead of time in accordance with the terms of their contract. Accordingly, the Company invoices its customers at the end of a calendar month for services to be provided the following month.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

5. Property and Equipment

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

	June 30, 2005	December 31, 2004
	(unaudited)	
Leasehold improvements	$ 407,906	$ 402,620
IBX plant and machinery	104,735	89,960
IBX equipment	56,487	47,437
Computer equipment and software	22,728	21,711
Furniture and fixtures	2,054	2,041
	593,910	563,769
Less accumulated depreciation	(248,793)	(220,408)
	$ 345,117	$ 343,361

Leasehold improvements, IBX plant and machinery and computer equipment and software recorded under capital leases aggregated $35,309,000 at both June 30, 2005 and December 31, 2004. Amortization on the assets recorded under capital leases is included in depreciation expense and accumulated depreciation on such assets totaled $1,425,000 and $119,000 as of June 30, 2005 and December 31, 2004, respectively.

6. Accounts Payable and Accrued Expenses

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

	June 30, 2005	December 31, 2004
	(unaudited)	
Accounts payable	$ 4,348	$ 2,835
Accrued compensation and benefits	7,074	5,969
Accrued taxes	3,363	3,376
Accrued property and equipment	5,424	2,912
Accrued utility and security	2,847	2,457
Accrued professional fees	1,512	1,741
Accrued other	1,924	1,738
	$ 26,492	$ 21,028

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

7. Other Current Liabilities

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

	June 30, 2005	December 31, 2004
	(unaudited)	
Customer deposits	$ 559	$ 3,229
Deferred installation revenue	5,392	3,019
Other current liabilities	712	629
	$ 6,663	$ 6,877

A significant portion of customer deposits as of December 31, 2004, represented a customer's deposit towards an installation project at one of the Company's IBX centers. In January 2005, upon completion of this installation project, this deposit was reclassified to deferred installation revenue (split between both current and non-current portions) and is now being amortized into revenue over the expected life of the customer relationship.

8. Deferred Rent and Other Liabilities

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

	June 30, 2005	December 31, 2004
	(unaudited)	
Deferred rent	$ 23,609	$ 22,493
Asset retirement obligations	3,818	3,054
Deferred installation revenue	1,827	725
Other liabilities	288	181
	$ 29,542	$ 26,453

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

9. Debt Facilities

Convertible Secured Notes

During the quarter ended March 31, 2005, Equinix converted an aggregate of $38,035,000 of STT Convertible Secured Notes and associated interest into 4,144,216 shares of the Company's Series A-1 preferred stock (the "95% STT Convertible Secured Notes Conversion"). The converted amount represented 95% of the outstanding STT Convertible Secured Notes plus interest due through February 14, 2005. A total of $1,923,000 of STT Convertible Secured Notes remain outstanding (the "Remaining STT Convertible Secured Notes") and will continue to be governed by the terms of the Financing. The Remaining STT Convertible Secured Notes will be eligible for conversion by Equinix in early 2006 provided certain conditions are met, including if the closing price of the Company's common stock exceeds $32.12 per share for 30 consecutive trading days. On February 1, 2005, STT elected to convert its Series A-1 preferred stock into 4,144,216 shares of the Company's common stock. The Series A-1 preferred stock converted into common stock on a 1 to 1 basis. As a result of the 95% STT Convertible Secured Notes Conversion, 95% of the outstanding Convertible Secured Notes and PIK Notes, plus interest through February 14, 2005 and unamortized discount and debt issuance costs, was converted into stockholders' equity in accordance with APB Opinion No. 26, "Early Extinguishment of Debt" and SFAS No. 84, "Induced Conversions of Convertible Debt, an amendment of APB Opinion No. 26."

As a result of the 95% STT Convertible Secured Notes Conversion, a total of $35,206,000 was credited to stockholders' equity during the first quarter of 2005, which was comprised of $36,543,000 of Convertible Secured Note and PIK Notes principal and $1,492,000 of interest through the conversion date, offset by $2,510,000 and $319,000 of unamortized debt discount and issuance costs, respectively.

On May 1, 2005, pursuant to the terms of the Convertible Secured Notes, the Company issued a PIK Note to STT Communications in the amount of $135,000, representing interest accrued from November 1, 2004 to April 30, 2005 on the Remaining STT Convertible Secured Notes. 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. As of June 30, 2005, the Remaining STT Convertible Secured Notes principal of $1,923,000 and all PIK Notes issued subsequent to the 95% STT Convertible Secured Notes Conversion of $135,000 is presented on the accompanying balance sheet, net of remaining unamortized debt discount, as $1,950,000 and are convertible into 224,230 shares of the Company's common stock at any time at the option of STT Communications. After December 31, 2005, the Company may convert all remaining 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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Maturities

Combined aggregate maturities for the Company's various debt facilities and capital lease obligation as of June 30, 2005 are as follows (in thousands) (unaudited):

	Convertible secured notes	Convertible subordinated debentures	Debt facility and capital lease obligation (1)	Sunnyvale IBX equipment capital lease (2)	Total
2005	$ —	$ —	$ 2,536	$ 461	$ 2,997
2006	—	—	5,181	1,857	7,038
2007	2,058	—	5,332	1,913	9,303
2008	—	—	5,488	1,969	7,457
2009	—	86,250	5,648	2,027	93,925
2010 and thereafter	—	—	66,643	26,950	93,593
	2,058	86,250	90,828	35,177	214,313
Less amount representing unamortized discount	(108)	—	—	—	(108)
Less amount representing interest	—	—	(40,924)	(15,085)	(56,009)
	1,950	86,250	49,904	20,092	158,196
Less current portion	—	—	(898)	(259)	(1,157)
	$ 1,950	$ 86,250	$ 49,006	$ 19,833	$157,039

(1) Debt facility and capital lease obligation is comprised of the San Jose IBX Acquisition Equipment & Fiber Debt Facility (see Note 2) and Washington, D.C. Metro Area Capital Lease.

(2) The Sunnyvale IBX Equipment Capital Lease will be recorded on the balance sheet in October 2005, when the Company takes possession of this property. Payments under the Sunnyvale IBX Equipment Capital Lease commence October 2005 (see Note 2).

10. Stockholders' Equity

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

During the quarter ended March 31, 2005, the Compensation Committee of the Board of Directors approved the grant of stock options to employees, excluding executive officers, to purchase an aggregate of approximately 870,200 shares of common stock, primarily as part of the Company's annual refresh program, at an exercise price of $44.06 per share. During the quarter ended March 31, 2005, the Compensation Committee of the Board of Directors also approved the issuance of 320,500 shares of restricted shares of common stock to executive officers pursuant to the 2000 Equity Incentive Plan. The restricted shares are subject to four-year vesting, and will only vest if the stock appreciates to pre-determined levels. The Company recorded a deferred stock-based compensation charge of $14,387,000 related to these restricted shares (see Note 1).

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

11. Commitments and Contingencies

Legal Actions

On July 30, 2001 and August 8, 2001, putative shareholder class action lawsuits were filed against the Company, certain of its officers and directors (the "Individual Defendants"), and several investment banks that were underwriters of the Company's IPO. The cases were filed in the United States District Court for the Southern District of New York, purportedly on behalf of investors who purchased the Company's stock between August 10, 2000 and December 6, 2000. In addition, similar lawsuits were filed against approximately 300 other issuers and related parties. The purported class action alleges violations of Sections 11 and 15 of the Securities Act of 1933 (the "1933 Act") and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 (the "1934 Act") against the Company and Individual Defendants. The plaintiffs have since dismissed the Individual Defendants without prejudice. The suits allege that the underwriter defendants agreed to allocate stock in the Company's IPO to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. The plaintiffs allege that the prospectus for the Company's IPO was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. On February 19, 2003, the Court dismissed the Section 10(b) claim against the Company, but denied the motion to dismiss the Section 11 claim.

In July 2003, a Special Litigation Committee of the Equinix Board of Directors approved a settlement agreement and related agreements which set forth the terms of a settlement between the Company, the Individual Defendants, the plaintiff class and the vast majority of the other approximately 300 issuer defendants and the individual defendants currently or formerly associated with those companies. Among other provisions, the settlement provides for a release of the Company and the Individual Defendants and the Company's agreeing to assign away, not assert, or release certain potential claims the Company may have against its underwriters. The settlement agreement also provides a guaranteed recovery of $1 billion to plaintiffs for the cases relating to all of the approximately 300 issuers. To the extent that the underwriter defendants settle all of the cases for at least $1 billion, no payment will be required under the issuers' settlement agreement. To the extent that the underwriter defendants settle for less than $1 billion, the issuers are required to make up the difference. It is anticipated that any potential financial obligation of Equinix to plaintiffs pursuant to the settlement, of which such claims are currently expected to be less than $3.4 million, will be covered by existing insurance and we do not expect that the settlement will involve any payment by the Company. The Company has no information as to whether there are any material limitations on the expected recovery by other issuer defendants of any potential financial obligation to plaintiffs from their own insurance carriers. On February 15, 2005, the court granted preliminary approval of the settlement agreement, subject to certain modifications consistent with its opinion. The Court ruled that the issuer defendants and the plaintiffs were required to submit a revised settlement agreement which provides for a mutual bar of all contribution claims by the settling and non-settling parties and does not bar the parties from pursuing other claims. The issuers and plaintiffs have submitted to the court a revised settlement agreement consistent with the court's opinion. The revised settlement agreement has been approved by all of the issuer defendants that are not in bankruptcy. The underwriter defendants will have an opportunity to object to the revised settlement agreement. There is no assurance that the court will grant final approval to the settlement. As approval by the Court cannot be assured, the Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

On October 13, 2004, the Court certified a Section 11 class in four of the six cases that were the subject of class certification motions and determined that the class period for Section 11 claims is the period between the IPO and the date that unregistered shares entered the market. The Court noted that its decision on those cases is intended to provide strong guidance to all parties regarding class certification in the remaining cases. Plaintiffs have not yet moved to certify a class in the Equinix case. Until the settlement is finalized and approved by the Court, or in the event such settlement is not approved, the Company and its officers and directors intend to continue to defend the actions vigorously. While an unfavorable outcome to this case is reasonably possible, it is not probable. As a result, the Company has not accrued for any settlements in connection with this litigation as of June 30, 2005.

Estimated and Contingent Liabilities

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

In July 2005, the Company received a Notice of Proposed Assessment of Income Tax from the state of Hawaii asserting a tax deficiency, plus interest, totaling $613,000 (the "Tax Assessment"). The deficiency is stemmed from certain refundable tax credits that the state of Hawaii subsequently disallowed in the examination of the Hawaii income tax returns for the tax years of 2000 and 2001 filed by Pihana Pacific, Inc., which the Company acquired on December 31, 2002. The Company strongly believes the disallowance of the refundable tax credits by the state of Hawaii is inconsistent with the applicable tax laws and that it has meritorious defenses to the claim. The Company intends to oppose the Tax Assessment vigorously and will file a timely request with the Board of Review in the state of Hawaii to appeal the Tax Assessment. The Company does not believe it is probable it will be required to pay the Tax Assessment upon the completion of the appeals process. As a result, the Company has not accrued for any loss contingencies in connection with this Tax Assessment as of June 30, 2005.

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)

12. Comprehensive Loss

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

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Net loss	$(3,431)	$(9,205)	$ (9,225)	$(39,347)
Unrealized gain (loss) on available for sale securities	61	(109)	(258)	(123)
Foreign currency translation gain (loss)	(653)	(498)	(892)	(230)
Comprehensive loss	$(4,023)	$(9,812)	$(10,375)	$(39,700)

There were no significant tax effects on comprehensive loss for the three and six months ended June 30, 2005 and 2004.

13. Segment Information

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

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

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Total revenues:				
United States	$45,384	$34,093	$ 87,400	$ 66,114
Asia-Pacific	7,095	5,330	13,763	10,129
	$52,479	$39,423	$101,163	$ 76,243
Cost of revenues:				
United States	$33,783	$29,361	$ 65,699	$ 58,799
Asia-Pacific	5,028	4,789	9,985	9,136
	$38,811	$34,150	$ 75,684	$ 67,935
Loss from operations:				
United States	$ (1,871)	$ (4,800)	$ (4,485)	$(12,202)
Asia-Pacific	(633)	(2,358)	(1,516)	(4,805)
	$ (2,504)	$ (7,158)	$ (6,001)	$(17,007)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

	June 30, 2005	December 31, 2004
	(unaudited)	
United States	$368,917	$ 360,694
Asia-Pacific	31,770	34,022
	$400,687	$ 394,716

The Company's goodwill totaling $21,384,000 and $22,018,000 as of June 30, 2005 and December 31, 2004, 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,	
	2005	2004	2005	2004
Colocation	$36,105	$27,205	$ 69,341	$52,011
Interconnection	9,845	7,383	19,169	14,320
Managed infrastructure	3,481	2,683	6,822	5,423
Recurring revenues	49,431	37,271	95,332	71,754
Non-recurring revenues	3,048	2,152	5,831	4,489
	$52,479	$39,423	$101,163	$76,243

Revenue from one customer accounted for 11% and 12%, respectively, of the Company's revenues for the three and six months ended June 30, 2005. Revenue from this same customer accounted for 14% and 13%, respectively, of the Company's revenues for the three and six months ended June 30, 2004. No other single customer accounted for more than 10% of the Company's revenues for the three and six months ended June 30, 2005 and 2004. Accounts receivables from the customer mentioned above accounted for 13% and 11% of the Company's gross accounts receivables as of June 30, 2005 and 2004, respectively. No other single customer accounted for more than 10% of the Company's gross accounts receivables as of June 30, 2005 and 2004.

14. Restructuring Charges

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company accounted for this restructuring charge under SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Under the provisions of SFAS No. 146, the Company estimated the future cash payments required to exit these two leased spaces, net of any estimated subrental income and expense, through the remainder of these lease terms and then calculated the present value of such future cash flows in order to determine the appropriate restructuring charge to record. In future periods, the Company will record accretion expense to accrete its accrued restructuring liability up to an amount equal to the total estimated future cash payments necessary to complete the exit of these leases. Such accretion expense is classified under cost of revenues on the accompanying statement of operations for the three and six months ended June 30, 2005. Should the actual lease exit costs differ from the Company's estimates, the Company may need to adjust its restructuring charges associated with the excess lease spaces, which would impact net income in the period such determination was made.

A summary of the movement in the 2004 accrued restructuring charge from December 31, 2004 to June 30, 2005 is outlined as follows (in thousands):

	Accrued restructuring charge as of December 31, 2004	Accretion expense	Cash payments	Accrued restructuring charge as of June 30, 2005
Estimated lease exit costs	$ 14,750	$ 445	$ (968)	$ 14,227
	14,750	$ 445	$ (968)	14,227
Less current portion	(1,952)			(2,059)
	$ 12,798			$ 12,168

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

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

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

In January 2005, the Company sublet the excess space in the New York metro area for a two-year period and is currently evaluating opportunities related to its excess space in Los Angeles, as well as the excess space in the New York metro area beyond the two-year sublease. As the Company currently has no plans to enter into lump sum lease terminations with either of the landlords associated with these two excess space leases, the Company has reflected its accrued restructuring charge as both a current and non-current liability on the accompanying balance sheets as of June 30, 2005 and December 31, 2004. The Company is contractually committed to these two excess space leases through 2015.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

15. Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment." SFAS No. 123(R) revises SFAS No. 123, "Accounting for Stock-Based Compensation" and requires companies to expense the fair value of employee stock options and other forms of stock-based compensation, such as employee stock purchase plans and restricted stock awards. In addition, SFAS No. 123(R) supercedes Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows." Under the provisions of SFAS No. 123(R), stock-based compensation awards must meet certain criteria in order for the award to qualify for equity classification. An award that does not meet those criteria will be classified as a liability and be remeasured each period. SFAS No. 123(R) retains the requirements on accounting for the income tax effects of stock-based compensation contained in SFAS No. 123; however, it changes how excess tax benefits will be presented in the statement of cash flows. In addition, in March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB No. 107"), which offers guidance on SFAS No. 123(R). SAB No. 107 was issued to assist preparers by simplifying some of the implementation challenges of SFAS No. 123(R) while enhancing the information that investors receive. Key topics of SAB No. 107 include discussion on the valuation models available to preparers and guidance on key assumptions used in these valuation models, such as expected volatility and expected term, as well as guidance on accounting for the income tax effects of SFAS No. 123(R) and disclosure considerations, among other topics. SFAS No. 123(R) and SAB No. 107 were effective for reporting periods beginning after June 15, 2005; however in April 2005, the SEC approved a new rule that SFAS No. 123(R) and SAB No. 107 are now effective for public companies for annual, rather than interim, periods beginning after June 15, 2005. The Company is currently considering the financial accounting, income tax and internal control implications of SFAS No. 123(R) and SAB No. 107. The adoption of SFAS No. 123(R) and SAB No. 107 are expected to have a significant impact on the Company's financial position and results of operations.

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

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143" ("FIN No. 47"). FIN No. 47 clarifies that the term, conditional retirement obligation, as used in SFAS No. 143, "Accounting for Asset Retirement Obligations", refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN No. 47 further clarifies that the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement and provides guidance on how an entity might reasonably estimate the fair value of such a conditional asset retirement obligation. FIN No. 47 is effective for fiscal years ending after December 15, 2005. The Company is currently in the process of evaluating the impact that the adoption of FIN No. 47 will have on its financial position, results of operations and cash flows.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In June 2005, the FASB approved EITF Issue 05-6, "Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination" ("EITF 05-6"). EITF 05-6 addresses the amortization period for leasehold improvements acquired in a business combination and leasehold improvements that are placed in service significantly after and not contemplated at the beginning of a lease term. EITF 05-6 states that (i) leasehold improvements acquired in a business combination should be amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date of acquisition and (ii) leasehold improvements that are placed into service significantly after and not contemplated at or near the beginning of the lease term should be amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date the leasehold improvements are purchased. EITF 05-6 is effective for leasehold improvements that are purchased or acquired in reporting periods beginning after June 29, 2005. The Company is currently in the process of evaluating the impact that the adoption of EITF 05-6 will have on its financial position and results of operations.

16. Subsequent Events

In July 2005, the Company announced that it had entered into a (i) long-term sublease of a 120,000 square foot data center in the Chicago metro area and (ii) an asset purchase agreement to purchase the IBX plant and machinery assets located within this new IBX center with Verio, Inc. ("Verio") (the "Chicago IBX Acquisition"). This center is in the same building as the Company's existing Chicago IBX center, which it will be interconnected to in order to leverage existing networks and customers, and this new addition will expand the global Equinix footprint to over 1.6 million square feet. Payments due to Verio for the Chicago IBX Acquisition total $25,160,000, of which $1,900,000 will be paid in two lump-sum payments during 2005 and the remaining $23,260,000 will be paid in monthly installments, which will commence in November 2005 and end in August 2015. The Company is anticipating it will take possession of the leased property and title to the equipment assets in November 2005 and the Company currently intends to begin placing customers in this center in the first half of 2006. The Company is currently evaluating the accounting treatment for this transaction, and will have this evaluation completed during the third quarter of 2005.

Item 2.

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

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

Overview

Equinix provides network neutral colocation, interconnection and managed services to enterprises, content companies and systems integrators and the world's largest networks. Through our 15 operational IBX centers in the U.S. and Asia-Pacific, customers can directly interconnect with each other for critical traffic exchange requirements. As of June 30, 2005, we had operational IBX centers totaling an aggregate of approximately 1.4 million gross square feet in the Chicago, Dallas, Honolulu, Los Angeles, New York, Silicon Valley and Washington, D.C. areas in the United States and Hong Kong, Singapore, Sydney and Tokyo in the Asia-Pacific region.

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

Our focused business model based on our critical mass of customers and the resulting network effect, combined with our strong financial position, including a number of financing transactions, has resulted in an acceleration of new customer growth and related revenue bookings from both new and existing customers. While we had generated negative operating cash flow in each annual period since inception through the quarter ended June 30, 2003, commencing the quarter ended September 30, 2003 we started to generate positive operating cash flow. During this quarter, our revenues grew to a level sufficient to meet our operating cash requirements for our predominantly fixed cost structure related to our existing IBX centers. We considered this quarter to be the inflection point in our business model whereby our revenues were sufficient, on an ongoing basis, to meet all our operating costs and working capital requirements. Given a large component of our cost of revenues related to our existing IBX centers are fixed in nature, we anticipate any growth in revenues will have a significant incremental flow-through to gross profit. Since reaching this point in our operating history, we have consistently generated operating cash flows and we continue to expect to generate operating cash flows throughout 2005 and beyond at levels sufficient to meet our cash requirements to fund our capital expenditures, debt service and corporate overhead requirements.

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunication products and services with their colocation offerings. During 2003, a number of these telecommunication carriers reduced their colocation footprint as they exited under-performing markets. In

addition, one major telecommunications company, Sprint, announced their plans to exit the colocation and hosting market in order to focus on their core service offerings, while another telecommunications company, Cable & Wireless Plc, sold their U.S. assets to another telecommunications company, Savvis Communications Corp, in a bankruptcy auction. In 2005, other providers, such as Abovenet and Verio, have selectively sold off their colocation centers. Each of these colocation providers owns and operates a network. We do not own or operate a network, yet have greater than 200 networks operating out of our IBX centers. As a result, we are able to offer our customers a substantial choice of networks given our network neutrality thereby allowing our customers to choose from numerous network service providers. We believe this is a distinct and sustainable competitive advantage, especially when the telecommunications industry is experiencing many business challenges and changes as evidenced by the numerous bankruptcies and consolidations within this industry during the past several years. Furthermore, for those customers who do require a more fully managed solution, certain of our other customers, such as IBM and EDS, can provide such a solution within our network rich IBX centers.

Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service streams, such as our acquisition of the Sprint property in Santa Clara in December 2003, our 2004 expansions in the Washington, D.C. and Silicon Valley area markets and our 2005 expansions in the Silicon Valley area and Chicago markets. However, we will continue to be very selective with any similar opportunity. As was the case with these recent expansions in the Silicon Valley, Washington, D.C. and Chicago area markets, the criteria will be demand from new and existing customers, quality of the design, power capacity, access to networks, capacity availability in current market location, amount of incremental investment required by us in the targeted property, lead-time to breakeven and in-place customers. Like our recent expansions, the right combination of these factors may be attractive for us. Dependent on the particular deal, these acquisitions may require upfront cash payments and additional capital expenditures in order to bring these centers up to Equinix standards.

Recent Developments

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

In February 2005, the Compensation Committee of the Board of Directors approved the issuance of 320,500 shares of restricted shares of common stock to executive officers. These restricted shares are subject to four-year vesting, and will only vest if the stock appreciates to certain pre-determined levels. These restricted shares are a compensatory plan under the provisions of APB Opinion No. 25 and are accounted for as variable awards. As a result, compensation cost will be adjusted for changes in the market price of our common stock until the restricted shares become vested. On the date of grant of the restricted shares in February 2005, we recorded a $14.4 million deferred stock-based compensation charge. For the six months ended June 30, 2005, we recognized a reduction in deferred stock-based compensation of $497,000 as a result of a declining stock price and recorded $2.4 million and $4.7 million of stock-based compensation expense related to these restricted shares for the three and six months ended June 30, 2005, respectively. As of June 30, 2005, there was a total of $9.2 million of deferred stock-based compensation remaining to be amortized related to these restricted shares. We expect stock-based compensation expense related to these restricted shares to impact our results of operations through 2008.

In June 2005, we entered into a long-term lease for a 120,000 square foot data center in the Silicon Valley area. This center will be interconnected to our three other Silicon Valley area IBX centers through redundant dark fiber links that will be managed by us to allow customers in each center to leverage the benefits of directly interconnecting with other customers in the other centers. Payments under this lease total $45.3 million, which will be paid in monthly installments, commencing in October 2005 through September 2020. This lease includes the leasing of all of the IBX plant and machinery equipment located within the building. As a result, we assessed the fair value of both the building and equipment elements of this lease and then assigned our estimate of the relative fair value to each element. We determined that

the building component of the lease is a long-term operating lease and the equipment portion of the lease is a capital lease. We will take possession of this property in October 2005, and as a result, will record IBX equipment assets, as well as a capital lease obligation liability, totaling approximately $20.1 million at that time. Payments under the capital lease portion of this lease will be made monthly, commencing October 2005 through September 2020, at an effective interest rate of approximately 7.50% per annum. Payments under the operating lease portion of this lease will also be made monthly, commencing October 2005 through September 2020, and total approximately $10.1 million in cumulative lease payments. We intend to begin placing customers in this IBX center in mid-2006. Our proposed accounting treatment of this lease is based on our preliminary assessment. Our final accounting treatment for this lease will be completed in the third quarter of 2005.

In July 2005, we announced that we had entered into a (i) long-term sublease of a 120,000 square foot data center in the Chicago metro area and (ii) an asset purchase agreement to purchase the IBX plant and machinery assets located within this new IBX center with Verio. We refer to this transaction as the Chicago IBX acquisition. This center is in the same building as our existing Chicago IBX center, which it will be interconnected to in order to leverage existing networks and customers, and this new addition will expand the global Equinix footprint to over 1.6 million square feet. Payments due to Verio for the Chicago IBX acquisition total $25.2 million, of which $1.9 million will be paid in two lump-sum payments during 2005 and the remaining $23.3 million will be paid in monthly installments, which will commence in November 2005 and end in August 2015. We anticipate that we will take possession of the leased property and title to the equipment assets in November 2005 and we currently intend to begin placing customers in this center in the first half of 2006. We are currently evaluating the accounting treatment for this transaction, and will have this evaluation completed during the third quarter of 2005.

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 2004 Annual Report on Form 10-K.

Results of Operations

Three Months Ended June 30, 2005 and 2004

Revenues. Our revenues for the three months ended June 30, 2005 and 2004 were split between the following revenue classifications (dollars in thousands):

	Three months ended June 30,			
	2005	%	2004	%
Recurring revenues	$49,431	94%	$37,271	95%
Non-recurring revenues:				
Installation and professional services	3,048	6%	2,091	5%
Other	—	0%	61	0%
	3,048	6%	2,152	5%
Total revenues	$52,479	100%	$39,423	100%

Our revenues for the three months ended June 30, 2005 and 2004 were geographically comprised of the following (dollars in thousands):

	Three months ended June 30,			
	2005	%	2004	%
U.S. revenues	$45,384	86%	$34,093	86%
Asia-Pacific revenues	7,095	14%	5,330	14%
Total revenues	$52,479	100%	$39,423	100%

We recognized revenues of $52.5 million for the three months ended June 30, 2005 as compared to revenues of $39.4 million for the three months ended June 30, 2004, a 33% 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 our customers 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 greater than 90% of our total revenues for the three months ended June 30, 2005 and 2004. Historically, approximately half of our customers order new services representing greater than half of our new orders each quarter.

Our non-recurring revenues are primarily comprised of installation services related to a customer's initial deployment and professional services that we perform. These services are considered to be non-recurring as they are billed typically once and only upon completion of the installation or professional services work performed. The non-recurring revenues are typically billed on the first invoice distributed to the customer. Installation and professional services revenues increased 42% period over period, primarily due to strong existing and new customer growth during the year, as well as the completion of certain custom projects for the U.S. government during the quarter ended March 31, 2005. As a percent of total revenues, we expect non-recurring revenues to represent less than 10% 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 1,049 as of June 30, 2005 versus 832 as of June 30, 2004, an increase of 26%. 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 47% as of June 30, 2005 from 41% as of June 30, 2004; however, excluding the impact of our recent expansions in the Washington, D.C. and Silicon Valley area markets, our weighted-average utilization rate would have been 53% as of June 30, 2005. Although we have substantial capacity for growth, our utilization rates vary from market to market among our 15 operational worldwide IBX centers. We continue to monitor the available capacity in each of our selected markets. To the extent we have limited capacity available in a given market, it may limit our ability for growth in that market. In addition, power and cooling requirements for some customers are growing on a per unit basis. As a result, customers are consuming an increasing amount of power per cabinet. Although we generally do not control the amount of draw our customers take from installed circuits, we have negotiated power consumption limitations with certain of our high power demand customers. We could face power limitations in our centers even though we may have additional physical capacity available within a specific IBX center. This could have a negative impact on the available utilization capacity of a given center, which could have a negative impact on our ability to grow revenues, affecting our financial performance, operating results and cash flows. Therefore, consistent with our recent expansions in the Washington, D.C., Silicon Valley and Chicago area markets, we will continue to closely manage available space and power capacity in each of our operating markets and expect to continue to make strategic and selective expansions to our global footprint when and where appropriate.

U.S. Revenues. We recognized U.S. revenues of $45.4 million for the three months ended June 30, 2005 as compared to $34.1 million for the three months ended June 30, 2004. U.S. revenues consisted of recurring revenues of $42.9 million and $32.3 million, respectively, for the three months ended June 30,

2005 and 2004, a 33% 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, 2005 included $1.2 million of revenue generated from the recently acquired Washington, D.C. area and Silicon Valley area IBX centers, which opened for business in the fourth quarter of 2004 and first quarter of 2005, respectively. Excluding revenues from these recently acquired U.S. IBX centers, the period over period growth in recurring revenues was primarily the result of an increase in orders from both our existing customers and new customer growth acquired during the period as reflected in the growth in our customer count and weighted-average utilization rate as discussed above. We expect our U.S. recurring revenues to continue to grow and remain our most significant source of revenue for the foreseeable future.

In addition, U.S. revenues consisted of non-recurring revenues of $2.5 million and $1.8 million, respectively, for the three months ended June 30, 2005 and 2004. 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 for the three months ended June 30, 2004. There were no settlement fees recognized for the three months ended June 30, 2005. Offsetting some of this revenue growth for the three months ended June 30, 2005, were service level credits that we recorded totaling $360,000 that will be issued to certain of our customers that were impacted by a power outage in our Chicago IBX center. There were no significant service level credits recorded in the previous period. Excluding any settlement fees or service level credits that we may recognize or issue in the future, we expect our U.S. non-recurring revenues to stay relatively flat in the foreseeable future.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of $7.1 million for the three months ended June 30, 2005 as compared to $5.3 million for the three months ended June 30, 2004, a 33% increase. Asia-Pacific revenues consisted of recurring revenues of $6.5 million and $5.0 million, respectively, for the three months ended June 30, 2005 and 2004, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of $594,000 and $342,000, respectively, for the three months ended June 30, 2005 and 2004. Asia-Pacific revenues are generated from Hong Kong, Singapore, Sydney and Tokyo, with Singapore representing approximately 48% and 53%, respectively, of the regional revenues for the three months ended June 30, 2005 and 2004. Our Asia-Pacific colocation revenues are similar to the revenues that we generate from our U.S. IBX centers; however, our Singapore IBX center has additional managed infrastructure service revenue, such as mail service and managed platform solutions, which we do not currently offer in any other IBX center location. The growth in our Asia-Pacific revenues is primarily the result of an increase in the customer base in this region during the past year, particularly in Tokyo and Sydney. We expect our Asia-Pacific revenues to continue to grow over the foreseeable future.

Cost of Revenues. Cost of revenues were $38.8 million for the three months ended June 30, 2005 as compared to $34.2 million for the three months ended June 30, 2004, a 14% increase. The largest cost components of our cost of revenues are depreciation, rental payments related to our leased IBX centers, utility costs including electricity and bandwidth, IBX employees' salaries and benefits, supplies and equipment and security services. A substantial majority of our cost of revenues are fixed in nature and do not vary significantly from period to period. However, there are certain costs, which are considered variable in nature, including utilities and supplies, that are directly related to growth of services 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 $33.8 million for the three months ended June 30, 2005 as compared to $29.4 million for the three months ended June 30, 2004. U.S. cost of revenues for the three months ended June 30, 2005 included (i) $14.1 million of depreciation expense and (ii) $349,000 of accretion expense comprised of our asset retirement obligation for our various leaseholds and the two leases for which we took a restructuring charge in the fourth quarter of 2004, as we are now accreting the related liability to exit these two leases to an amount equal to the total estimated future cash payments needed. U.S. cost of revenues for the three months ended June 30, 2004 included (i) $12.4 million of depreciation expense, (ii) $2,000 of stock-based compensation expense, (iii) $86,000 of accretion expense associated with our asset retirement obligation for our various leaseholds and (iv) $40,000 of amortization expense associated with an intangible asset associated with our Santa Clara IBX center that became fully

amortized in December 2004. Our U.S. cost of revenues for the three months ended June 30, 2005 also include $1.9 million of other operating costs associated with the recently acquired Washington, D.C. and Silicon Valley area IBX centers, which opened for business in the fourth quarter of 2004 and first quarter of 2005, respectively. Excluding depreciation, stock-based compensation, accretion expense, amortization expense and the costs associated with operating these new IBX centers, U.S. cost of revenues increased period over period to $17.4 million for the three months ended June 30, 2005 from $16.8 million for the three months ended June 30, 2004, a 3% increase. This increase is primarily the result of increasing utility costs in line with increasing customer installations and revenues attributed to customer growth. We continue to anticipate that our cost of revenues will increase in the foreseeable future as the occupancy levels in our U.S. IBX centers increase and as the costs attributed to newly-acquired IBX centers in the Silicon Valley and Chicago areas commence in the fourth quarter of 2005.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues were $5.0 million for the three months ended June 30, 2005 as compared to $4.8 million for the three months ended June 30, 2004. Asia-Pacific cost of revenues for the three months ended June 30, 2005 included $985,000 of depreciation expense and $65,000 of non-cash rent expense associated with the value attributed to warrants issued in May 2004 to our landlord in connection with a lease amendment for our Hong Kong IBX center. Asia-Pacific cost of revenues for the three months ended June 30, 2004 included $917,000 of depreciation expense and $65,000 of non-cash rent expense. Excluding depreciation and non-cash rent expense, Asia-Pacific cost of revenues increased period over period to $4.0 million for the three months ended June 30, 2005 from $3.8 million for the three months ended June 30, 2004, a 4% increase. This increase is primarily the result of increasing utility and bandwidth costs in line with increasing customer installations and revenues attributed to this customer growth. Our Asia-Pacific cost of revenues are generated in Hong Kong, Singapore, Sydney and Tokyo. There are several managed IT infrastructure service revenue streams unique to our Singapore IBX center, such as mail service and managed platform solutions, that are more labor intensive than our service offerings in the United States. As a result, our Singapore IBX center has a greater number of employees than any of our other IBX centers, and therefore, a greater labor cost relative to our other IBX centers in the United States or other Asia-Pacific locations. We anticipate that our Asia-Pacific cost of revenues will experience moderate growth in the foreseeable future consistent with our anticipated growth in revenues over the course of the year.

Sales and Marketing. Sales and marketing expenses increased to $5.1 million for the three months ended June 30, 2005 from $4.4 million for the three months ended June 30, 2004.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses increased to $4.3 million for the three months ended June 30, 2005 from $3.2 million for the three months ended June 30, 2004. Included in U.S. sales and marketing expenses for the three months ended June 30, 2005 were $454,000 of stock-based compensation expense and $15,000 of amortization expense associated with an intangible asset in connection with our Santa Clara IBX center. Included in U.S. sales and marketing expenses for the three months ended June 30, 2004 was $15,000 of stock-based compensation expense and $15,000 of amortization expense associated with an intangible asset in connection with our Santa Clara IBX center. The increase in the stock-based compensation expense period over period is a result of the non-cash charge attributed to restricted stock awards granted to our sales and marketing executive officers in the first quarter of 2005. Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses increased to $3.9 million for the three months ended June 30, 2005 as compared to $3.2 million for the three months ended June 30, 2004, a 23% increase. Sales and marketing expenses consist primarily of compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. This increase is primarily due to approximately $725,000 of higher compensation costs, including increases in sales compensation related to record new customer bookings in the second quarter of 2005, general salary increases and bonuses for our marketing staff and non-commissioned sales staff, as well as some moderate headcount growth (67 U.S. sales and marketing employees as of June 30, 2005 versus 63 as of June 30, 2004). Going forward, we expect to see U.S. sales and marketing spending increase nominally in absolute dollars although decrease as a percent of revenues.

Asia-Pacific Sales and Marketing Expenses. Asia-Pacific sales and marketing expenses decreased to $803,000 for the three months ended June 30, 2005 as compared to $1.2 million for the three months ended June 30, 2004. Included in Asia-Pacific sales and marketing expenses for the three months ended

June 30, 2004 were $460,000 of amortization expense associated with several intangible assets associated with our Singapore operations, which became fully amortized in December 2004. Excluding amortization expense, Asia-Pacific sales and marketing expenses increased to $803,000 during the three months ended June 30, 2005 as compared to $778,000 in the prior period, an increase of 3%. Our Asia-Pacific sales and marketing expenses consist of the same type of costs that we incur in our U.S. operations, namely compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. Our Asia-Pacific sales and marketing expenses are generated in Hong Kong, Singapore, Sydney and Tokyo. We expect that our Asia-Pacific sales and marketing expenses will experience some moderate growth in the foreseeable future.

General and Administrative. General and administrative expenses increased to $11.0 million for the three months ended June 30, 2005 from $8.0 million for the three months ended June 30, 2004.

U.S. General and Administrative Expenses. U.S. general and administrative expenses increased to $9.1 million for the three months ended June 30, 2005 as compared to $6.3 million for the three months ended June 30, 2004. Included in U.S. general and administrative expenses for the three months ended June 30, 2005 were $2.0 million of stock-based compensation expense and $482,000 of depreciation expense. Included in U.S. general and administrative expenses for the three months ended June 30, 2004 were $166,000 of stock-based compensation expense and $425,000 of depreciation expense. The increase in the stock-based compensation expense period over period is a result of the non-cash charge attributed to restricted stock awards granted to our executive officers in the first quarter of 2005. Excluding stock-based compensation expense and depreciation expense, U.S. general and administrative expenses increased to $6.6 million for the three months ended June 30, 2005, as compared to $5.8 million for the prior period, a 15% increase. This increase is primarily due to approximately $1.0 million of higher compensation costs, including general salary increases and bonuses, as well as some moderate headcount growth (139 U.S. general and administrative employees as of June 30, 2005 versus 119 as of June 30, 2004). General and administrative expenses, excluding stock-based compensation and depreciation, consist primarily of salaries and related expenses, accounting, legal and other 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 although decrease as a percent of revenues.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses increased to $1.9 million for the three months ended June 30, 2005 as compared to $1.7 million for the three months ended June 30, 2004. Included in Asia-Pacific general and administrative expenses were $79,000 and $86,000, respectively, of depreciation expense for the three months ended June 30, 2005 and 2004. Excluding depreciation, Asia-Pacific general and administrative expenses increased to $1.8 million for the three months ended June 30, 2005, as compared to $1.6 million for the prior period, a 15% increase. This increase is primarily due to approximately $200,000 of higher compensation costs, including general salary increases and bonuses, as well as some moderate headcount growth (82 Asia-Pacific general and administrative employees as of June 30, 2005 versus 67 as of June 30, 2004). 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 other professional service fees and other general corporate expenses. Our Asia-Pacific general and administrative expenses are generated in Hong Kong, Singapore, Sydney and Tokyo. Our Asia-Pacific headquarter office is located in Singapore. Most of the corporate overhead support functions that we have in the U.S. also reside in our Singapore office in order to support our Asia-Pacific operations. In addition, we have separate office locations in Tokyo and Hong Kong. We expect that our Asia-Pacific general and administrative expenses will experience some moderate growth in the foreseeable future.

Interest Income. Interest income increased to $902,000 from $242,000 for the three months ended June 30, 2005 and 2004, respectively. Interest income increased due to higher average cash, cash equivalent and short-term and long-term investment balances held in interest-bearing accounts during these periods, as well as higher yields on those balances due to increasing interest rates.

Interest Expense. Interest expense decreased to $1.9 million from $2.3 million for the three months ended June 30, 2005 and 2004, respectively. During the quarter ended March 31, 2005, we converted 95% of the outstanding 14% convertible secured notes and unpaid interest held by STT Communications Ltd.

into 4.1 million shares of our preferred stock (which was subsequently converted into 4.1 million shares of our common stock in February 2005), which has significantly reduced our interest expense. However, the decrease in interest expense associated with this conversion is partially offset by interest expense associated with the capital lease we recorded in connection with the Washington, D.C. area IBX center during the fourth quarter of 2004 and the debt facility we recorded in connection with the Silicon Valley area IBX center equipment and fiber during the first quarter of 2005, which both bear interest at 8.50%.

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 net value of its deferred tax assets will be realized. However, for the three months ended June 30, 2005, we recorded an income tax provision benefit of $116,000, primarily representing a reduction in our projected income tax liability for alternative minimum tax that we initially recorded in the first quarter of 2005 based on our best estimates available to us at that time. For the three months ended June 30, 2004, we recorded $6,000 of income tax expense, primarily representing income taxes related to alternative minimum tax. We have previously not incurred any significant income tax expense since inception and we do not expect to incur any significant income tax expense during 2005 and 2006 other than alternative minimum tax.

Six Months Ended June 30, 2005 and 2004

Revenues. Our revenues for the six months ended June 30, 2005 and 2004 were split between the following revenue classifications (dollars in thousands):

	Six months ended June 30,			
	2005	%	2004	%
Recurring revenues	$ 95,322	94%	$71,754	94%
Non-recurring revenues:				
Installation and professional services	5,831	6%	3,734	5%
Other	—	0%	755	1%
	5,831	6%	4,489	6%
Total revenues	$101,163	100%	$76,243	100%

Our revenues for the six months ended June 30, 2005 and 2004 were geographically comprised of the following (dollars in thousands):

	Six months ended June 30,			
	2005	%	2004	%
U.S. revenues	$ 87,400	86%	$66,114	87%
Asia-Pacific revenues	13,763	14%	10,129	13%
Total revenues	$101,163	100%	$76,243	100%

We recognized revenues of $101.2 million for the six months ended June 30, 2005 as compared to revenues of $76.2 million for the six months ended June 30, 2004, a 33% 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 our customers 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 greater than 90% of our total revenues for the six months ended June 30, 2005 and 2004. Historically, approximately half of our customers order new services representing greater than half of our new orders each quarter.

Our non-recurring revenues are primarily comprised of installation services related to a customer's initial deployment and professional services that we perform. These services are considered to be

non- recurring as they are billed typically once and only upon completion of the installation or professional services work performed. The non-recurring revenues are typically billed on the first invoice distributed to the customer. Installation and professional services revenues increased 30% period over period, primarily due to strong existing and new customer growth during the year, as well as the completion of certain custom projects for the U.S. government during the quarter ended March 31, 2005. As a percent of total revenues, we expect non-recurring revenues to represent less than 10% 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 1,049 as of June 30, 2005 versus 832 as of June 30, 2004, an increase of 26%. 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 47% as of June 30, 2005 from 41% as of June 30, 2004; however, excluding the impact of our recent expansions in the Washington, D.C. and Silicon Valley area markets, our weighted-average utilization rate would have been 53% as of June 30, 2005. Although we have substantial capacity for growth, our utilization rates vary from market to market among our 15 operational worldwide IBX centers. We continue to monitor the available capacity in each of our selected markets. To the extent we have limited capacity available in a given market, it may limit our ability for growth in that market. In addition, power and cooling requirements for some customers are growing on a per unit basis. As a result, customers are consuming an increasing amount of power per cabinet. Although we generally do not control the amount of draw our customers take from installed circuits, we have negotiated power consumption limitations with certain of our high power demand customers. We could face power limitations in our centers even though we may have additional physical capacity available within a specific IBX center. This could have a negative impact on the available utilization capacity of a given center, which could have a negative impact on our ability to grow revenues, affecting our financial performance, operating results and cash flows. Therefore, consistent with our recent expansions in the Washington, D.C., Silicon Valley and Chicago area markets, we will continue to closely manage available space and power capacity in each of our operating markets and expect to continue to make strategic and selective expansions to our global footprint when and where appropriate.

U.S. Revenues. We recognized U.S. revenues of $87.4 million for the six months ended June 30, 2005 as compared to $66.1 million for the six months ended June 30, 2004. U.S. revenues consisted of recurring revenues of $82.6 million and $62.5 million, respectively, for the six months ended June 30, 2005 and 2004, a 32% 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, 2005 included $1.4 million of revenue generated from the recently acquired Washington, D.C. area and Silicon Valley area IBX centers, which opened for business in the fourth quarter of 2004 and first quarter of 2005, respectively. Excluding revenues from these recently acquired U.S. IBX centers, 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 $4.8 million and $3.6 million, respectively, for the six months ended June 30, 2005 and 2004. 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 for the six months ended June 30, 2004. There were no settlement fees recognized for the six months ended June 30, 2005. Offsetting some of this revenue growth for the six months ended June 30, 2005, were service level credits totaling $360,000 that we recorded that will be issued to certain of our customers that were impacted by a power outage in our Chicago IBX center. There were no significant service level credits recorded in the previous period. Excluding any settlement fees or service level credits that we may recognize or issue in the future, we expect our U.S. non-recurring revenues to stay relatively flat in the foreseeable future.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of $13.8 million for the six months ended June 30, 2005 as compared to $10.1 million for the six months ended June 30, 2004, a 36% increase. Asia-Pacific revenues consisted of recurring revenues of $12.7 million and $9.2 million, respectively, for the six months ended June 30, 2005 and 2004, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of $1.1 million and $924,000, respectively, for the six months ended June 30, 2005 and 2004. Asia-Pacific non-recurring revenues included $280,000 of contract settlement revenue for the six months ended June 30, 2004. Asia-Pacific revenues are generated from Hong Kong, Singapore, Sydney and Tokyo, with Singapore representing approximately 48% and 54%, respectively, of the regional revenues for the six months ended June 30, 2005 and 2004. Our Asia-Pacific colocation revenues are similar to the revenues that we generate from our U.S. IBX centers; however, our Singapore IBX center has additional managed infrastructure service revenue, such as mail service and managed platform solutions, which we do not currently offer in any other IBX center location. The growth in our Asia-Pacific revenues is primarily the result of an increase in the customer base in this region during the past year, particularly in Tokyo and Sydney. We expect our Asia-Pacific revenues to continue to grow over the foreseeable future.

Cost of Revenues. Cost of revenues were $75.7 million for the six months ended June 30, 2005 as compared to $67.9 million for the six months ended June 30, 2004, an 11% increase. The largest cost components of our cost of revenues are depreciation, rental payments related to our leased IBX centers, utility costs including electricity and bandwidth, IBX employees' salaries and benefits, supplies and equipment and security services. A substantial majority of our cost of revenues are fixed in nature and do not vary significantly from period to period. However, there are certain costs, which are considered variable in nature, including utilities and supplies, that are directly related to growth of services 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 $65.7 million for the six months ended June 30, 2005 as compared to $58.8 million for the six months ended June 30, 2004. U.S. cost of revenues for the six months ended June 30, 2005 included (i) $27.6 million of depreciation expense and (ii) $692,000 of accretion expense comprised of our asset retirement obligation for our various leaseholds and the two leases for which we took a restructuring charge in the fourth quarter of 2004, as we are now accreting the related liability to exit these two leases to an amount equal to the total estimated future cash payments needed. U.S. cost of revenues for the six months ended June 30, 2004 included (i) $25.0 million of depreciation expense, (ii) $22,000 of stock-based compensation expense, (iii) $167,000 of accretion expense associated with our asset retirement obligation for our various leaseholds and (iv) $80,000 of amortization expense associated with an intangible asset associated with our Santa Clara IBX center that became fully amortized in December 2004. Our U.S. cost of revenues for the six months ended June 30, 2005 also include $2.8 million of other operating costs associated with the recently acquired Washington, D.C. area and Silicon Valley area IBX centers, which opened for business in the fourth quarter of 2004 and first quarter of 2005, respectively. Excluding depreciation, stock-based compensation, accretion expense, amortization expense and the costs associated with operating these new IBX centers, U.S. cost of revenues increased period over period to $34.6 million for the six months ended June 30, 2005 from $33.6 million for the six months ended June 30, 2004, a 3% increase. This increase is primarily the result of increasing utility costs in line with increasing customer installations and revenues attributed to customer growth. We continue to anticipate that our cost of revenues will increase in the foreseeable future as the occupancy levels in our U.S. IBX centers increase and as the costs attributed to newly-acquired IBX centers in the Silicon Valley and Chicago areas commence in the fourth quarter of 2005.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues were $10.0 million for the six months ended June 30, 2005 as compared to $9.1 million for the six months ended June 30, 2004. Asia-Pacific cost of revenues for the six months ended June 30, 2005 included $2.0 million of depreciation expense and $130,000 of non-cash rent expense associated with the value attributed to warrants issued in May 2004 to our landlord in connection with a lease amendment for our Hong Kong IBX center. Asia-Pacific cost of revenues for the six months ended June 30, 2004 included $1.8 million of depreciation expense and $65,000 of non-cash rent expense. Excluding depreciation and non-cash rent expense, Asia-Pacific cost of revenues increased period over period to $7.8 million for the six months ended June 30, 2005 from $7.3 million for the six months ended June 30, 2004, an 8% increase. This increase is primarily the result of increasing utility and bandwidth costs in line with increasing customer installations and revenues attributed

to this customer growth. Our Asia-Pacific cost of revenues are generated in Hong Kong, Singapore, Sydney and Tokyo. There are several managed IT infrastructure service revenue streams unique to our Singapore IBX center, such as mail service and managed platform solutions, that are more labor intensive than our service offerings in the United States. As a result, our Singapore IBX center has a greater number of employees than any of our other IBX centers, and therefore, a greater labor cost relative to our other IBX centers in the United States or other Asia-Pacific locations. We anticipate that our Asia-Pacific cost of revenues will experience moderate growth in the foreseeable future consistent with our anticipated growth in revenues over the course of the year.

Sales and Marketing. Sales and marketing expenses increased to $10.0 million for the six months ended June 30, 2005 from $9.1 million for the six months ended June 30, 2004.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses increased to $8.5 million for the six months ended June 30, 2005 from $6.6 million for the six months ended June 30, 2004. Included in U.S. sales and marketing expenses for the six months ended June 30, 2005 were $901,000 of stock-based compensation expense and $30,000 of amortization expense associated with an intangible asset in connection with our Santa Clara IBX center. Included in U.S. sales and marketing expenses for the six months ended June 30, 2004 was $45,000 of stock-based compensation expense and $30,000 of amortization expense associated with an intangible asset in connection with our Santa Clara IBX center. The increase in the stock-based compensation expense period over period is a result of the non-cash charge attributed to restricted stock awards granted to our sales and marketing executive officers in the first quarter of 2005. Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses increased to $7.6 million for the six months ended June 30, 2005 as compared to $6.5 million for the six months ended June 30, 2004, a 16% increase. Sales and marketing expenses consist primarily of compensation and related costs for sales and marketing personnel, sales commissions, marketing programs, public relations, promotional materials and travel. This increase is primarily due to approximately $1.1 million of higher compensation costs, including increases in sales compensation related to record new customer bookings during the first half of 2005, general salary increases and bonuses for our marketing staff and non-commissioned sales staff, as well as some moderate headcount growth (67 U.S. sales and marketing employees as of June 30, 2005 versus 63 as of June 30, 2004). Going forward, we expect to see U.S. sales and marketing spending increase nominally in absolute dollars although decrease as a percent of revenues.

Asia-Pacific Sales and Marketing Expenses. Asia-Pacific sales and marketing expenses decreased to $1.5 million for the six months ended June 30, 2005 as compared to $2.5 million for the six months ended June 30, 2004. Included in Asia-Pacific sales and marketing expenses for the six months ended June 30, 2004 were $919,000 of amortization expense associated with several intangible assets associated with our Singapore operations, which became fully amortized in December 2004. Excluding amortization expense, Asia-Pacific sales and marketing expenses decreased to $1.5 million during the six months ended June 30, 2005 as compared to $1.6 million in the prior period, a decrease of 7%, primarily as a result of 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 Hong Kong, Singapore, Sydney and Tokyo. We expect that our Asia-Pacific sales and marketing expenses will experience some moderate growth in the foreseeable future.

General and Administrative. General and administrative expenses increased to $21.5 million for the six months ended June 30, 2005 from $16.3 million for the six months ended June 30, 2004.

U.S. General and Administrative Expenses. U.S. general and administrative expenses increased to $17.7 million for the six months ended June 30, 2005 as compared to $13.0 million for the six months ended June 30, 2004. Included in U.S. general and administrative expenses for the six months ended June 30, 2005 were $4.0 million of stock-based compensation expense and $829,000 of depreciation expense. Included in U.S. general and administrative expenses for the six months ended June 30, 2004 were $793,000 of stock-based compensation expense and $1.1 million of depreciation expense. The increase in the stock-based compensation expense period over period is a result of the non-cash charge attributed to restricted stock awards granted to our executive officers in the first quarter of 2005. Excluding stock-based

compensation expense and depreciation expense, U.S. general and administrative expenses increased to $12.8 million for the six months ended June 30, 2005, as compared to $11.0 million for the prior period, a 16% increase. This increase is primarily due to approximately $1.8 million of higher compensation costs, including general salary increases and bonuses, as well as some moderate headcount growth (139 U.S. general and administrative employees as of June 30, 2005 versus 119 as of June 30, 2004). General and administrative expenses, excluding stock-based compensation and depreciation, consist primarily of salaries and related expenses, accounting, legal and other 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 although decrease as a percent of revenues.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses increased to $3.8 million for the six months ended June 30, 2005 as compared to $3.3 million for the six months ended June 30, 2004. Included in Asia-Pacific general and administrative expenses were $163,000 and $203,000, respectively, of depreciation expense for the six months ended June 30, 2005 and 2004. Excluding depreciation, Asia-Pacific general and administrative expenses increased to $3.7 million for the six months ended June 30, 2005, as compared to $3.1 million for the prior period, an 18% increase. This increase is primarily due to approximately $450,000 of higher compensation costs, including general salary increases and bonuses, as well as some moderate headcount growth (82 Asia-Pacific general and administrative employees as of June 30, 2005 versus 67 as of June 30, 2004). 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 other professional service fees and other general corporate expenses. Our Asia-Pacific general and administrative expenses are generated in Hong Kong, Singapore, Sydney and Tokyo. Our Asia-Pacific headquarter office is located in Singapore. Most of the corporate overhead support functions that we have in the U.S. also reside in our Singapore office in order to support our Asia-Pacific operations. In addition, we have separate office locations in Tokyo and Hong Kong. We expect that our Asia-Pacific general and administrative expenses will experience some moderate growth in the foreseeable future.

Interest Income. Interest income increased to $1.6 million from $484,000 for the six months ended June 30, 2005 and 2004, respectively. Interest income increased due to higher average cash, cash equivalent and short-term and long-term investment balances held in interest-bearing accounts during these periods, as well as higher yields on those balances due to increasing interest rates.

Interest Expense. Interest expense decreased to $4.4 million from $6.4 million for the six months ended June 30, 2005 and 2004, respectively. During the quarter ended March 31, 2004, with the proceeds from the convertible debenture offering, we fully paid off the remaining credit facility and two other debt facilities, as well as fully redeemed the remaining 13% senior notes that were outstanding. Furthermore, in March 2004, the $10.0 million 10% convertible secured notes issued in connection with the Crosslink financing were converted to 2.5 million shares of our common stock. As a result of the repayments, redemption and conversion of our older debt facilities, which have been replaced with our $86.3 million 2.5% convertible subordinated debentures, our interest expense commencing with the second quarter of 2004 has been significantly reduced. In addition, during the quarter ended March 31, 2005, we converted 95% of the outstanding 14% convertible secured notes and unpaid interest held by STT Communications Ltd. into 4.1 million shares of our preferred stock, which was subsequently converted into 4.1 million shares of our common stock in February 2005. All of these decreases in interest expense are partially offset by interest expense associated with the capital lease we recorded in connection with the Washington, D.C. area IBX center during the fourth quarter of 2004 and the debt facility we recorded in connection with the Silicon Valley area IBX center equipment and fiber during the first quarter of 2005, which both bear interest at 8.50%.

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, and which had a beneficial conversion feature, were converted to 2.5 million shares of our common stock. As a result of these various repayments, redemption and conversion of our older debt facilities, we recorded a loss on debt extinguishment and conversion of $16.2 million,

comprised primarily of the write-off of the various debt issuance costs and discounts associated with these various debt facilities totaling $13.7 million, as well as the premium paid to the holders of our 13% senior notes required to redeem these early and other cash transaction costs totaling $2.5 million. There was no loss recorded in connection with the STT convertible secured notes conversion during the six months ended June 30, 2005 as the STT convertible secured notes did not have a beneficial conversion feature.

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 net value of its deferred tax assets will be realized. However, for the six months ended June 30, 2005 and 2004, we recorded $389,000 and $200,000, respectively, of income tax expense, primarily representing income taxes related to alternative minimum tax. We have previously not incurred any significant income tax expense since inception and we do not expect to incur any significant income tax expense during 2005 and 2006 other than alternative minimum tax.

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, 2005, our total indebtedness was comprised of (i) non-convertible debt totaling $70.0 million from our Washington D.C. metro area IBX capital lease, Silicon Valley area IBX equipment and fiber debt facility and Silicon Valley area IBX equipment capital lease and (ii) convertible debt totaling $88.3 million from our convertible secured notes and convertible subordinated debentures as outlined below. In addition, as a result of a $17.7 million restructuring charge we recorded in the fourth quarter of 2004, we have an accrued restructuring charge liability of $14.2 million on our balance sheet as of June 30, 2005 as outlined below.

As of June 30, 2005, our principal source of liquidity was our $132.0 million of cash, cash equivalents and short-term and long-term investments. We believe that this cash, coupled with our anticipated cash flows generated from operations, will be sufficient to meet our capital expenditure, debt service and corporate overhead requirements to meet our currently identified business objectives. In addition, as a result of the Silicon Valley Bank credit line, as further described below, we have $19.8 million of additional liquidity available to us in the event we need additional cash to pursue attractive strategic opportunities that may become available in the future.

While we had generated negative operating cash flow in each annual period since inception through 2003, commencing the quarter ended September 30, 2003 we started to generate positive operating cash flow. During that quarter, our revenues grew to a level sufficient to meet our operating cash requirements related to our predominantly fixed cost structure of our existing IBX centers. We considered that quarter to be the inflection point in our business model whereby our revenues were sufficient on an ongoing basis to meet all our operating costs and working capital requirements. Since reaching this inflection point, we have generated cash flow from our operations during 2004 and the first six months of 2005 and expect this trend to continue throughout the remainder of 2005 and 2006 and to be in an amount sufficient to meet our cash requirements to fund our capital expenditures, debt service and corporate overhead requirements (excluding the purchase, sale and maturities of our short-term and long-term investments). However, given our limited operating history, we may not achieve our desired levels of profitability in the future. See “Other Factors Affecting Operating Results.”

Uses of Cash

Net cash provided by our operating activities was $33.5 million and $15.4 million for the six months ended June 30, 2005 and 2004, respectively. We continue to experience strong collections of our accounts receivables. As described above, we expect that we will continue to generate cash from our operating activities throughout 2005 and 2006.

Net cash provided by our investing activities was $4.1 million for the six months ended June 30, 2005 and net cash used in our investing activities was $13.0 million for the six months ended June 30, 2004. Net cash provided by investing activities during the six months ended June 30, 2005 was primarily the result of the net sales and maturities of our short-term and long-term investments into cash and cash

equivalents, offset by capital expenditures required to bring our recently acquired IBX centers in the Silicon Valley and Washington, D.C. areas to Equinix standards and to support our growing customer base. Net cash used in investing activities during the six months ended June 30, 2004 was primarily the result of the net purchases of our short-term and long-term investments, as well as capital expenditures required to bring our recently acquired IBX centers in the Silicon Valley and Washington, D.C. areas to Equinix standards and to support our growing customer base. For the remainder of 2005 and 2006, we anticipate that our cash used in investing activities, excluding the purchases, sales and maturities of short-term and long-term investments, will be attributed to the funding of our capital expenditures.

Net cash provided by financing activities was $3.6 million and $14.8 million for the six months ended June 30, 2005 and 2004, respectively. Net cash provided by financing activities for the six months ended June 30, 2005, was primarily the result of proceeds from the exercises of warrants and employee stock options and purchases from our employee stock purchase plans, offset by principal payments for our debt facility and capital lease obligation. Net cash provided by financing activities for the six months ended June 30, 2004, was primarily the result of the $86.3 million in gross proceeds from our convertible debenture offering, offset by $70.8 million in payments on our credit facility, senior notes and other debt facilities and capital lease obligations, as well as debt extinguishment costs associated with paying down these facilities.

Debt Obligations – Non-Convertible Debt

As of June 30, 2005, our non-convertible debt, related to capital lease obligations from our new IBX centers in the Washington D.C. and Silicon Valley metro areas and a debt facility associated with our new Silicon Valley area IBX equipment and fiber, totaled $70.0 million. In addition, as a result of the Silicon Valley Bank credit line, as further described below, we have $19.8 million of additional liquidity available to us to pursue attractive strategic opportunities that may become available in the future.

Washington D.C. Metro Area IBX Capital Lease. In April 2004, we entered into a long-term lease for a 95,000 square foot data center in the Washington, D.C. metro area. The center is adjacent to the Company’s existing Washington D.C. metro area IBX. This lease, which includes the leasing of all of the IBX plant and machinery equipment located in the building, is a capital lease. We took possession of this property during the fourth quarter of 2004, and as a result, recorded property and equipment assets, as well as a capital lease obligation, totaling $35.3 million. Payments under this lease, which commenced in November 2004, will be made monthly through 2019 at an effective interest rate of 8.50% per annum. As of June 30, 2005, principal of $34.9 million remained outstanding.

San Jose IBX Equipment and Fiber Debt Facility. In December 2004, we entered into a long-term lease for a 103,000 square foot data center in San Jose, and at the same time entered into separate agreements to purchase the equipment located within this new IBX center and to interconnect all three of our Silicon Valley area IBX centers to each other through redundant dark fiber links. Under generally accepted accounting principles, these three separate agreements are considered to be a single arrangement. Furthermore, while the building component of this transaction is classified as a long-term operating lease, the equipment and fiber portions of the transaction are classified as financed assets under a debt facility. We took possession of this property during the first quarter of 2005, and as a result, recorded property and equipment and prepaid fiber assets, as well as debt, totaling $18.7 million. Payments under this debt facility will be made monthly through May 2020 at an effective interest rate of 8.50% per annum. As of June 30, 2005, principal of $15.0 million remained outstanding.

Sunnyvale IBX Equipment Capital Lease. In June 2005, we entered into a long-term lease for a 120,000 square foot data center in Sunnyvale, California. This lease includes the leasing of all of the IBX plant and machinery equipment located within the building. As a result, we assessed the fair value of both the building and equipment elements of this lease and then assigned our estimate of the relative fair value to each element. We determined that the building component of the lease is a long-term operating lease and the equipment portion of the lease is a capital lease. We will take possession of this property in October 2005, and as a result, will record IBX equipment assets, as well as a capital lease obligation liability, totaling approximately $20.1 million at that time. Payments under the capital lease portion of this lease will be made monthly, commencing October 2005 through September 2020, at an effective interest rate of approximately 7.50% per annum. Principal of approximately $20.1 million will be recorded on our balance sheet in October 2005. Our proposed accounting treatment of this lease is based on our preliminary assessment. Our final accounting treatment for this lease will be completed in the third quarter of 2005.

Silicon Valley Bank Credit Line. In December 2004, we entered into a $25.0 million line of credit arrangement with Silicon Valley Bank that matures in December 2006. This facility is a $25.0 million revolving line of credit which, at our election, up to $10.0 million may be converted into a 24-month term loan, repayable in eight quarterly installments. We refer to this transaction as the "Silicon Valley Bank credit line." Borrowings under the Silicon Valley Bank credit line bear interest at floating interest rates, plus applicable margins, based either on the prime rate or LIBOR. As of June 30, 2005, the Silicon Valley Bank credit line had an interest rate of 5.31% per annum; however, through the date of filing of this report on Form 10-Q, we have not drawn down any amounts from this line of credit. The Silicon Valley Bank credit line also features sublimits, which allow us to issue letters of credit, enter into foreign exchange forward contracts and make advances for cash management services. Our utilization under any of these sublimits would have the effect of reducing the amount available for borrowing under the Silicon Valley Bank credit line during the period that such sublimits remain utilized and outstanding. As of June 30, 2005, we had utilized $5.2 million under the letters of credit sublimit with the issuance of four letters of credit and, as a result, reduced the amount of borrowings available to us from $25.0 million to $19.8 million. The Silicon Valley Bank credit line is secured by substantially all of our domestic assets and contains numerous covenants, including financial covenants, such as maintaining minimum cash balance levels and meeting minimum quarterly revenue targets, which we are in full compliance of. The Silicon Valley Bank credit line provides us with additional liquidity and financing flexibility in the future.

Debt Obligations – Convertible Debt

Convertible Secured Notes. In December 2002, in conjunction with the combination, STT Communications made a $30.0 million strategic investment in the company in the form of a 14% convertible secured note due November 2007. The interest on the convertible secured note is payable in kind in the form of additional convertible secured notes, which we refer to as "PIK notes." During 2003 and through December 31, 2004, we had issued $8.5 million in PIK notes. The convertible secured note and PIK notes issued to STT Communications are convertible into our preferred and common stock at a price of $9.18 per underlying share, and are convertible anytime at the option of STT Communications. Upon certain conditions, including if the closing price of our common stock exceeds $32.12 per share for thirty consecutive trading days, we had the option of converting the convertible secured notes beginning in 2005. In January 2005, we exercised this right and converted 95% of the outstanding convertible secured notes and unpaid interest, held by STT Communications, into 4.1 million shares of our preferred stock, which was subsequently converted into 4.1 million shares of our common stock in February 2005. We refer to this transaction as the "STT convertible secured notes conversion." The remaining 5% of the convertible secured notes outstanding, totaling $1.9 million, will be eligible for conversion by Equinix in early 2006 into approximately 250,000 shares (including anticipated interest expense through early 2006), provided that the closing price of our common stock again exceeds $32.12 per share for thirty consecutive trading days.

As of June 30, 2005, a total of $2.1 million of convertible secured notes were outstanding, including PIK notes, which is presented, net of unamortized discount, on our balance sheet at $2.0 million. All interest expense associated with our convertible secured notes, including the amortization of the unamortized discount and our unamortized debt issuance costs, represent non-cash interest expense in our statements of operation and cash flow as no cash is expended for this interest.

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

Holders of the convertible subordinated debentures may require us to purchase all or a portion of their debentures on February 15, 2009, February 15, 2014 and February 15, 2019, in each case at a price equal

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

Accrued Restructuring Charge

During the quarter ended December 31, 2004, we recorded a restructuring charge of $17.7 million. In light of the availability of fully built-out data centers in select markets at costs significantly below those costs we would incur in building out new space, we made the decision in December 2004 to exit leases for excess space adjacent to one of our New York metro area IBXs, as well as space on the floor above our original Los Angeles IBX. The restructuring charge consisted of (i) a $13.9 million charge representing the present value of our estimated future cash payments, net of any estimated subrental income and expense, through the remainder of these lease terms; and (ii) a write-off of property and equipment of $3.8 million, representing the write-off of all remaining property and equipment attributed to the excess space on the floor above our Los Angeles IBX. We entered into a two-year sublease agreement for the excess space in the New York metro area and are currently evaluating opportunities related to our excess space in Los Angeles. In future periods, we will record accretion expense to accrete our accrued restructuring liability up to an amount equal to the total estimated future cash payments necessary to complete the exit of these leases. We expect that as a result of these restructuring charges, we will realize annual savings commencing in 2005 of approximately $1.8 million. As of December 31, 2004, we had an accrued restructuring charge of $14.8 million recorded as a liability on our balance sheet related to these excess lease spaces. During the six months ended June 30, 2005, we recorded $445,000 of accretion expense related to these excess lease spaces and incurred net cash payments of $968,000 resulting in an accrued restructuring charge liability on our balance sheet of $14.2 million as of June 30, 2005. We are contractually committed to these two excess space leases through 2015.

Debt Maturities, Lease and Other Contractual Commitments

We lease our IBX centers and certain equipment under non-cancelable lease agreements expiring through 2020. The following represents our debt maturities, lease and other commitments as of June 30, 2005 (in thousands):

	Convertible secured notes	Convertible subordinated debentures	Debt facility and capital lease (1)	Operating leases covered under accrued restructuring charges	Other leases (2)	Total
2005 (six months)	$ —	$ —	$ 2,536	$ 1,582	$ 14,783	$ 18,901
2006	—	—	5,181	2,766	32,239	40,186
2007	2,058	—	5,332	3,216	31,687	42,293
2008	—	—	5,488	3,262	30,954	39,704
2009	—	86,250	5,648	3,309	30,791	125,998
2010 and thereafter	—	—	66,643	19,964	190,924	277,531
	2,058	86,250	90,828	34,099	331,378	544,613
Less amount representing interest	—	—	(40,924)	—	—	(40,924)
Less amount representing estimated subrental income and expense	—	—	—	(15,874)	—	(15,874)
Less amount representing accretion	—	—	—	(3,998)	—	(3,998)
	$ 2,058	$ 86,250	$ 49,904	$ 14,227	$331,378	$483,817

(1) Includes our Washington D.C. metro area IBX capital lease and Silicon Valley area IBX equipment and fiber debt facility.

(2) Represents off-balance sheet arrangements, which are comprised of numerous operating leases and our Silicon Valley area IBX capital lease, which will be recorded on our balance sheet in October 2005 concurrent with when we take possession of this property and the equipment located within this new IBX center.

In July 2005, we announced that we had entered into a (i) long-term lease of a 120,000 square foot data center in the Chicago metro area and (ii) an asset purchase agreement to purchase the IBX plant and machinery assets located within this new IBX center with Verio. We refer to this transaction as the Chicago IBX acquisition. This center is in the same building as our existing Chicago IBX center, which it will be interconnected to in order to leverage existing networks and customers, and this new addition will expand the global Equinix footprint to over 1.6 million square feet. Payments due to Verio for the Chicago IBX acquisition total $25.2 million, of which $1.9 million will be paid in two lump-sum payments during 2005 and the remaining $23.3 million will be paid in monthly installments, which will commence in November 2005, through August 2015. We anticipate that we will take possession of the leased property and title to the equipment assets in November 2005 and we currently intend to begin placing customers in this center in the first half of 2006. We are currently evaluating the accounting treatment for this transaction, and will have this evaluation completed during the third quarter of 2005. This subsequent event commitment is not reflected in the table above.

In connection with four of our IBX operating leases, we have entered into four irrevocable letters of credit with Silicon Valley Bank. These letters of credit were provided in lieu of cash deposits under the letters of credit sublimit provision in connection with the Silicon Valley Bank credit line. The letters of credit total $5.2 million, are collateralized by the Silicon Valley Bank credit line and automatically renew in successive one-year periods until the final lease expiration dates. If the landlords for any of these four IBX operating leases decide to draw down on these letters of credit, we will be required to fund these letters of credit. This contingent commitment is not reflected in the table above.

As a result of our recent IBX expansions in the Washington D.C., Silicon Valley and Chicago metro areas, we anticipate that we will incur capital expenditures in excess of what we would otherwise spend had we not acquired these new IBXs. Although we are not contractually obligated to do so, we expect to incur additional capital expenditures in these three markets during the second half of 2005 and first half of 2006 of approximately $35.0 to $40.0 million in order to bring these new IBXs up to Equinix standards, of which approximately $19.0 to $22.0 million would be incurred during the second half of 2005. This non-contractual capital expenditure spending is not reflected in the table above.

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

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment." SFAS No. 123(R) revises SFAS No. 123, "Accounting for Stock-Based Compensation" and requires companies to expense the fair value of employee stock options and other forms of stock-based compensation, such as employee stock purchase plans and restricted stock awards. In addition, SFAS No. 123(R) supercedes Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows." Under the provisions of SFAS No. 123(R), stock-based compensation awards must meet certain criteria in order for the award to qualify for equity classification. An award that does not meet those criteria will be classified as a liability and be remeasured each period.

SFAS No. 123(R) retains the requirements on accounting for the income tax effects of stock-based compensation contained in SFAS No. 123; however, it changes how excess tax benefits will be presented in the statement of cash flows. In addition, in March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB No. 107"), which offers guidance on SFAS No. 123(R). SAB No. 107 was issued to assist preparers by simplifying some of the implementation challenges of SFAS No. 123(R) while enhancing the information that investors receive. Key topics of SAB No. 107 include discussion on the valuation models available to preparers and guidance on key assumptions used in these valuation models, such as expected volatility and expected term, as well as guidance on accounting for the income tax effects of SFAS No. 123(R) and disclosure considerations, among other topics. SFAS No. 123(R) and SAB No. 107 were effective for reporting periods beginning after June 15, 2005; however in April 2005, the SEC approved a new rule that SFAS No. 123(R) and SAB No. 107 are now effective for public companies for annual, rather than interim, periods beginning after June 15, 2005. We are currently considering the financial accounting, income tax and internal control implications of SFAS No. 123(R) and SAB No. 107. The adoption of SFAS No. 123(R) and SAB No. 107 are expected to have a significant impact on our financial position and results of operations.

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

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143" ("FIN No. 47"). FIN No. 47 clarifies that the term, conditional retirement obligation, as used in SFAS No. 143, "Accounting for Asset Retirement Obligations", refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN No. 47 further clarifies that the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement and provides guidance on how an entity might reasonably estimate the fair value of such a conditional asset retirement obligation. FIN No. 47 is effective for fiscal years ending after December 15, 2005. We are currently in the process of evaluating the impact that the adoption of FIN No. 47 will have on our financial position, results of operations and cash flows.

In June 2005, the FASB approved EITF Issue 05-6, "Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination" ("EITF 05-6"). EITF 05-6 addresses the amortization period for leasehold improvements acquired in a business combination and leasehold improvements that are placed in service significantly after and not contemplated at the beginning of a lease term. EITF 05-6 states that (i) leasehold improvements acquired in a business combination should be amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date of acquisition and (ii) leasehold improvements that are placed into service significantly after and not contemplated at or near the beginning of the lease term should be amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date the leasehold improvements are purchased. EITF 05-6 is effective for leasehold improvements that are purchased or acquired in reporting periods beginning after June 29, 2005. We are currently in the process of evaluating the impact that the adoption of EITF 05-6 will have on our financial position and results of operations.

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

Although Equinix has generated cash from operations since the quarter ended September 30, 2003, for the years ended December 31, 2004 and 2003, the company incurred net losses of $68.6 million and $84.2 million, respectively. For the six months ended June 30, 2005, the company incurred additional net losses of $9.2 million. In light of new rules regarding the expensing of stock-based compensation, we do not expect to become net income positive for the foreseeable future. In addition, if we acquire or build-out additional IBX centers, we will have additional depreciation and amortization expenses that will negatively impact our ability to achieve and sustain positive net income. There can be no guarantee that we will become profitable and the company may continue to incur additional losses. Even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We expect our operating results to fluctuate.

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

- acquisition of additional IBX centers;
- mandatory expensing of employee stock-based compensation, including restricted shares;
- demand for space, power and services at our IBX centers;
- changes in general economic conditions and specific market conditions in the telecommunications and Internet industries;
- the provision of customer discounts and credits;
- the mix of current and proposed products and services and the gross margins associated with our products and services;
- the timing between existing centers becoming fully utilized and our ability to expand in certain markets;
- competition in the markets;
- conditions related to international operations;
- the timing and magnitude of operating expenses, including taxes, capital expenditures and expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets; and
- the cost and availability of adequate public utilities, including power.

Any of the foregoing factors, or other factors discussed elsewhere in this report, could have a material adverse effect on our business, results of operations, and financial condition. Although the company has

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

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

Within the last 12 months, our common stock has traded between $28.52 and $46.39 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. In January 2005, 95% of STT Communications' outstanding convertible secured notes and associated interest were converted into shares of our non-voting Series A-1 preferred stock. In February 2005, STT Communications elected to convert all of the shares of Series A-1 preferred stock into 4.1 million shares of our common stock. Sales of a substantial number of shares of our common stock within a narrow period of time could cause our stock price to fall. Announcements may also have a significant impact on the market price of our common stock. These announcements may include:

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

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

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

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

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

Although we received an unqualified opinion regarding the effectiveness of our internal controls over financial reporting as of December 31, 2004, in the course of our ongoing evaluation of our internal controls over financing reporting, we have identified certain areas in which we would like to improve upon and are in the process of evaluating and designing enhanced processes and controls to address these areas identified during our evaluation, none of which we believe constitutes or will constitute a material change. However, we cannot be certain that our efforts will be effective or sufficient for us, or our independent registered public accounting firm, to issue unqualified reports in the future, especially as our business continues to grow and evolve.

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

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

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

For the years ended December 31, 2004 and 2003, the company recognized 13% and 15%, respectively, of its revenues outside North America. For the six months ended June 30, 2005, the company recognized 14% of its revenues outside North America. We anticipate that, for the foreseeable future, approximately 15% of the company's revenues will be derived from sources outside North America.

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

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

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

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

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

- the possibility that we may not be able to successfully integrate acquired businesses or achieve the level of quality in such businesses to which our customers are accustomed;
- the possibility that additional capital expenditures may be required;
- the possibility that senior management may be required to spend considerable time negotiating agreements and integrating acquired businesses;
- the possible loss or reduction in value of acquired businesses;
- the possibility that our customers may not accept either the existing equipment infrastructure or the "look-and-feel" of a new or different IBX center;
- the possibility that carriers may find it cost-prohibitive or impractical to bring fiber and networks into a new IBX center;
- the possibility of preexisting undisclosed liabilities regarding the property or IBX center, including but not limited to environmental or asbestos liability, of which our insurance may be insufficient or for which we may be unable to secure insurance coverage; and
- the possibility that the concentration of our IBX centers in the Silicon Valley may increase our exposure to seismic activity and that these facilities may be located on or near the fault zones for which we may not have adequate levels of earthquake insurance.

We cannot assure you that the price for any future acquisitions will be similar to our recently announced IBX expansions. In fact, we expect acquisition costs, including capital expenditures required to bring new IBX centers on board, to increase in the future. If our revenue does not keep pace with these potential acquisition and expansion costs, we may not be able to maintain our current or expected margins as we absorb these additional expenses. There is no assurance 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.

In January 2005, 95% of STT Communications' outstanding convertible secured notes and associated interest were converted into shares of our non-voting Series A-1 preferred stock. In February 2005, STT Communications elected to convert all of the shares of Series A-1 preferred stock into 4.1 million shares of our common stock. As of June 30, 2005, STT Communications owned approximately 35% 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. As a result, STT Communications is able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could prevent or delay a third party from acquiring or merging with us. STT also has a right of first offer, which entitles them to participate in an offering of our equity securities, or securities convertible into our equity securities, to maintain their ownership percentage prior to such offering.

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

Our IBX centers are susceptible to regional costs of power, electrical power shortages, planned or unplanned power outages such as those that occurred in California during 2001 and in the Northeast in 2003 or natural disasters such as the tornados in the East in 2004, and limitations, especially internationally, of adequate power resources. Power outages could harm our customers and our business. We attempt to limit exposure to system downtime by using backup generators and power supplies, however, we may not be able to limit our exposure entirely even with these protections in place, as was the case with a power outage we experienced in our Chicago IBX center in June 2005. In addition, the overall power shortage in California has increased the cost of energy, which we may not be able to pass on to our customers.

In each of our markets, we rely on third parties to provide a sufficient amount of power for current and future customers. At the same time, power and cooling requirements are growing on a per unit basis. As a result, some customers are consuming an increasing amount of power per cabinet. We generally do not control the amount of electrical draw our customers take from their installed circuits. This 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 and limit our abilities to grow our business and revenues, which could have a negative impact on our financial performance, operating results and cash flows.

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

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

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

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

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

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

A significant number of shares of our capital stock have been issued during 2002, 2003, 2004 and 2005 and may be sold in the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

We issued a large number of shares of our capital stock to the former Pihana stockholders, STT Communications, and holders of our senior notes in connection with the combination, financing and senior note exchange, to Crosslink Capital, Inc. and its affiliates (collectively, "Crosslink") in connection with Crosslink's purchase of our Series A-2 Convertible Secured Notes, and to the public and STT Communications in connection with our follow-on equity offering in late 2003. The shares of common stock issued in the senior note exchange are currently freely tradeable. The shares of common stock issued in connection with the combination have been registered for resale as of June 30, 2003, the shares of common stock issued upon exercise of the warrants issued in connection with the Crosslink financing have been registered for resale as of September 22, 2003 and the shares of common stock issued upon conversion of the convertible secured notes issued in the Crosslink financing have been registered for resale as of July 30, 2004. The shares sold to the public and STT Communications in connection with our follow-on equity offering in November 2003 are freely tradeable by the public, subject, in the case of STT Communications, to compliance with Rule 144 resale restrictions applicable to affiliates. In February 2004, we issued $86,250,000 of 2.5% Convertible Subordinated Debentures due 2024. These debentures are convertible into 2,183,548 shares of our common stock. Holders of these debentures may convert their debentures into shares of our common stock during any calendar quarter if the sale price of our common stock is greater than or equal to 120% of the conversion price per share of our common stock for 20 out of any 30 consecutive trading days or if the trading price of our debentures falls below specified prices. All of these shares are eligible for resale pursuant to a registration statement that became effective on July 30, 2004. In January 2005, 95% of STT Communications' outstanding convertible secured notes and associated interest were converted into shares of our non-voting Series A-1 preferred stock. In February 2005, STT Communications elected to convert all of the shares of Series A-1 preferred stock into 4.1 million shares of our common stock. The shares of common stock are eligible for resale pursuant to a registration statement that became effective on December 22, 2004. Sales of a substantial number of shares of our common stock by these parties within any narrow period of time could cause our stock price to fall. In addition, the issuance of the additional shares of our common stock as a result of these transactions will reduce our earnings per share, if any. This dilution could reduce the market price of our common stock unless and until we achieve revenue growth or cost savings and other business economies sufficient to offset the effect of this issuance. We cannot assure you that we will achieve revenue growth, cost savings or other business economies.

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

As of June 30, 2005, STT Communications held 7,114,630 shares of our common stock and held securities convertible into 3,058,571 additional shares of our common stock. STT Communications has pledged to its lenders its ownership interest in the majority of its secured notes and warrants purchased in the financing and its common and preferred stock issued in the combination as collateral for its secured credit facility. If STT Communications defaults on its credit facility, the stock, warrants and secured notes owned by STT Communications could be transferred to its lenders or sold to third parties. In the event of

default, the new owner of the secured notes, stock and warrants could convert them into our common stock and sell them, along with the common stock, into the public market. Sales of a substantial number of shares of our common stock by these parties within any narrow period of time could cause our stock price to fall. In addition, the issuance of the additional shares of our common stock as a result of these transactions will reduce our earnings per share, if any.

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

The presence of diverse telecommunications carriers' fiber networks in our IBX centers is critical to our ability to attract new customers. We believe that the availability of carrier capacity will directly affect our ability to achieve our projected results. Our new IBX centers require construction and operation of a sophisticated redundant fiber network. Any hardware or fiber failures on this network may result in significant loss of connectivity to our new IBX expansion centers. This could affect our ability to sell new customers into these IBX centers.

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

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

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

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

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

Problems at one or more of our IBX centers, whether or not within our control, could result in service interruptions or significant equipment damage. We have service level commitment obligations to certain of our customers. As a result, service interruptions or significant equipment damage in our IBX centers could result in difficulty maintaining service level commitments to these customers. For example, in June 2005, we recorded $360,000 in service level credits to various customers associated with a power outage that affected our Chicago IBX center. 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 could reduce the confidence of our customers and could consequently impair our ability to obtain and retain customers, which would adversely affect both our ability to generate revenues and our operating results.

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

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

There is no known prevention or defense against denial of service attacks. During a prolonged denial of service attack, Internet service may not be available for several hours, thus impacting hosted customers' on-line business transactions. Affected customers might file claims against us under such circumstances. Our property and liability insurance may not be adequate to cover these customer claims.

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

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

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

For the six months ended June 30, 2005 and 2004, IBM accounted for 12% and 13%, respectively, of our revenues. We expect that IBM will continue to account for a significant portion of our revenue for the foreseeable future, although we expect revenues received from IBM to decline as a percentage of our total revenues as we add new customers in our IBX centers. Although the term of our IBM contract runs through 2009, IBM currently has the right to reduce its commitment to us pursuant to the terms and requirements of its customer agreement. If we lose IBM as a customer, our business, financial condition and results of operations could be adversely affected.

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

Our IBX centers and other products and services must be able to differentiate themselves from existing providers of space and services for telecommunications companies, web hosting companies and other colocation providers. In addition to competing with neutral colocation providers, we must compete with

traditional colocation providers, including local phone companies, long distance phone companies, Internet service providers and web hosting facilities. Likewise, with respect to our other products and services, including managed services, bandwidth services and security services, we must compete with more established providers of similar services. Most of these companies have longer operating histories and significantly greater financial, technical, marketing and other resources than us.

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

We may also face competition from persons seeking to replicate our IBX concept by building new centers or converting existing centers that some of our competitors are in the process of divesting. We may experience competition from our landlords in this regard. Rather than leasing available space in our buildings to large single tenants, they may decide to convert the space instead to smaller square foot units designed for multi-tenant colocation use. Landlords may enjoy a cost effective advantage in providing similar services as our IBXs, and this could also reduce the amount of space available to us for expansion in the future. Competitors may operate more successfully or form alliances to acquire significant market share. Furthermore, enterprises that have already invested substantial resources in outsourcing arrangements may be reluctant or slow to adopt our approach that may replace, limit or compete with their existing systems. In addition, other companies may be able to attract the same potential customers that we are targeting. Once customers are located in competitors' facilities, it may be extremely difficult to convince them to relocate to our IBX centers.

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

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

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

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

A customer's decision to license cabinet space in one of our IBX centers and to purchase additional services typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in our IBX centers until they are confident that the IBX center has adequate carrier connections. As a result, we have a long sales cycle. Delays due to the length of 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, as amended, is subject to court approval and sufficient participation by defendants in similar actions. If the proposed settlement, as amended, is not approved by the court or a sufficient number of defendants do not participate in the settlement, the defense of this litigation may continue and therefore increase our expenses and divert management's attention and resources. An adverse outcome in this litigation could seriously harm our business and results of operations. In addition, we may, in the future, be subject to other securities class action or similar litigation.

Risks Related to Our Industry

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

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

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

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

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

The telecommunications industry is currently undergoing a consolidation. As customers combine businesses, they may require less colocation space, and there may be fewer networks available to choose from. Given the competitive and evolving nature of this industry, further consolidation of our customers and/or our competitors may present a risk to our network neutral business model and have a negative impact on our revenues. In addition, increased utilization levels industry-wide could lead to a reduced amount of attractive expansion opportunities available to us.

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

The September 11, 2001 terrorist attacks in the U.S., the ensuing declaration of war on terrorism and the continued threat of terrorist activity and other acts of war or hostility appear to be having an adverse effect on business, financial and general economic conditions internationally. These effects may, in turn, increase our costs due to the need to provide enhanced security, which would have a material adverse effect on our business and results of operations. These circumstances may also adversely affect our ability to attract and retain customers, our ability to raise capital and the operation and maintenance of our IBX centers. We may not have adequate property and liability insurance to cover such catastrophic events or attacks.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

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

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

Interest Rate Risk

The Company’s exposure to market risk resulting from changes in interest rates relates primarily to our investment portfolio. All of our cash equivalents and marketable securities are designated as available-for-sale and are therefore recorded at fair market value on our balance sheet with the unrealized gains or losses reported as a separate component of other comprehensive income. The fair market value of our marketable securities could be adversely impacted due to a rise in interest rates, but we do not believe such impact would be material. Securities with longer maturities are subject to a greater interest rate risk than those with shorter maturities and as of June 30, 2005 our portfolio maturity was relatively short. If current interest rates were to increase or decrease by 10%, the fair market value of our investment portfolio could increase or decrease by $194,000.

An immediate 10% increase or decrease in current interest rates would furthermore not have a material impact to our debt obligations due to the fixed nature of our long-term debt obligation. However, the interest expense associated with our $25.0 million revolving credit line, which bears interest at floating rates, plus applicable margins, based on either the prime rate or LIBOR could be affected. As of June 30, 2005, the $25.0 million revolving credit line had an effective interest rate of 5.31%; however, through the date of filing of this report on Form 10-Q, no drawings are outstanding under this line of credit. The fair market value of our long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. These interest rate changes may affect the fair market value of the fixed interest rate debt but does not impact our earnings or cash flows.

The fair market value of our convertible subordinated debentures is based on quoted market prices. The estimated fair value of our convertible subordinated debentures as of June 30, 2005 was approximately $105.3 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 and 2004.

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 price changes are electricity and supplies and equipment used in our IBX centers. We are closely monitoring the cost of electricity at all of our locations. We do not employ forward contracts or other financial instruments to hedge commodity price risk.

Item 4. Controls and Procedures

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

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On July 30, 2001 and August 8, 2001, putative shareholder class action lawsuits were filed against us, certain of our officers and directors (the "Individual Defendants"), and several investment banks that were underwriters of our initial public offering. The cases were filed in the United States District Court for the Southern District of New York, purportedly on behalf of investors who purchased our stock between August 10, 2000 and December 6, 2000. In addition, similar lawsuits were filed against approximately 300 other issuers and related parties. The purported class action alleges violations of Sections 11 and 15 of the Securities Act of 1933 (the "1933 Act") and Sections 10(b), Rule 10b-5 and 20(a) of the Securities

Exchange Act of 1934 (the "1934 Act") against the Company and Individual Defendants. The plaintiffs have since dismissed the Individual Defendants without prejudice. The suits allege that the underwriter defendants agreed to allocate stock in our initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. The plaintiffs allege that the prospectus for our initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. On February 19, 2003, the Court dismissed the Section 10(b) claim against the Company, but denied the motion to dismiss the Section 11 claim.

In July 2003, a Special Litigation Committee of the Equinix Board of Directors approved a settlement agreement and related agreements which set forth the terms of a settlement between the Company, the Individual Defendants, the plaintiff class and the vast majority of the other approximately 300 issuer defendants and the individual defendants currently or formerly associated with those companies. Among other provisions, the settlement provides for a release of the Company and the individual defendants and the Company's agreeing to assign away, not assert, or release certain potential claims the Company may have against its underwriters. The settlement agreement also provides a guaranteed recovery of $1 billion to plaintiffs for the cases relating to all of the approximately 300 issuers. To the extent that the underwriter defendants settle all of the cases for at least $1 billion, no payment will be required under the issuers' settlement agreement. To the extent that the underwriter defendants settle for less than $1 billion, the issuers are required to make up the difference. It is anticipated that any potential financial obligation of Equinix to plaintiffs pursuant to the settlement, of which such claims are currently expected to be less than $3.4 million, will be covered by existing insurance and we do not expect that the settlement will involve any payment by the Company. The Company has no information as to whether there are any material limitations on the expected recovery by other issuer defendants of any potential financial obligation to plaintiffs from their own insurance carriers. On February 15, 2005, the court granted preliminary approval of the settlement agreement, subject to certain modifications consistent with its opinion. The Court ruled that the issuer defendants and the plaintiffs were required to submit a revised settlement agreement which provides for a mutual bar of all contribution claims by the settling and non-settling parties and does not bar the parties from pursuing other claims. The issuers and plaintiffs have submitted to the court a revised settlement agreement consistent with the court's opinion. The revised settlement agreement has been approved by all of the issuer defendants that are not in bankruptcy. The underwriter defendants will have an opportunity to object to the revised settlement agreement. There is no assurance that the court will grant final approval to the settlement. As approval by the Court cannot be assured, the Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows.

On October 13, 2004, the Court certified a Section 11 class in four of the six cases that were the subject of class certification motions and determined that the class period for Section 11 claims is the period between the IPO and the date that unregistered shares entered the market. The Court noted that its decision on those cases is intended to provide strong guidance to all parties regarding class certification in the remaining cases. Plaintiffs have not yet moved to certify a class in the Equinix case. Until the settlement is finalized and approved by the Court, or in the event such settlement is not approved, we and our officers and directors intend to continue to defend the actions vigorously.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

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

The Annual Meeting of Stockholders of the Company was held on June 2, 2005 in Foster City, California. The table below presents the voting results of election of our Board of Directors:

	Affirmative Votes	Negative Votes	Votes Withheld	Broker's Non-Votes
Theng Kiat Lee	21,670,619	—	273,350	—
Steven Clontz	21,866,629	—	77,340	—
Steven Eng	21,571,798	—	372,171	—
Gary Hromadko	21,873,816	—	70,153	—
Scott Kriens	21,602,445	—	341,524	—
Andrew Rachleff	21,864,220	—	79,749	—
Dennis Raney	21,863,992	—	79,977	—
Peter Van Camp	21,872,456	—	71,513	—
Michelangelo Volpi	16,530,105	—	5,413,864	—

The stockholders also approved the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2005. The table below presents the voting results:

	Affirmative Votes	Negative Votes	Votes Withheld	Broker's Non-Votes
Ratification of independent registered public accounting firm	21,561,515	366,780	15,674	—

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Description of Document
2.1 (8)	Combination Agreement, dated as of October 2, 2002, by and among Equinix, Inc., Eagle Panther Acquisition Corp., Eagle Jaguar Acquisition Corp., i-STT Pte Ltd, STT Communications Ltd., Pihana Pacific, Inc. and Jane Dietze, as representative of the stockholders of Pihana Pacific, Inc.
3.1 (10)	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.
3.2 (10)	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.
3.3 (9)	Bylaws of the Registrant.
3.4 (13)	Certificate of Amendment of the Bylaws of the Registrant.
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4.
4.2 (2)	Form of Registrant's Common Stock certificate.
4.10 (9)	Registration Rights Agreement (See Exhibit 10.75).
4.11	Indenture (see Exhibit 10.99).
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.
10.23 (1)	Purchase Agreement between International Business Machines Corporation and Equinix, Inc. dated May 23, 2000.

Exhibit Number	Description of Document
10.24 (2)	2000 Equity Incentive Plan.
10.25 (2)	2000 Director Option Plan.
10.26 (2)	2000 Employee Stock Purchase Plan.
10.27 (2)	Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated June 21, 2000.
10.28 (3)+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of July 1, 2000.
10.29 (3)+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of May 1, 2000.
10.30 (3)+	Lease Agreement with Carrier Central LA, Inc., as successor in interest to 600 Seventh Street Associates, Inc., dated as of August 24, 2000.
10.31 (3)+	Lease Agreement with Burlington Associates III Limited Partnership, dated as of July 24, 2000.
10.42 (4)+	First Amendment to Deed of Lease with TrizecHahn Beaumeade Technology Center LLC, dated as of March 22, 2001.
10.43 (4)+	First Lease Amendment Agreement with Market Halsey Urban Renewal, LLC, dated as of May 23, 2001.
10.44 (4)+	First Amendment to Lease with Nexcomm Asset Acquisition I, L.P., dated as of April 18, 2000.
10.45 (4)+	Amendment to Lease Agreement with Burlington Realty Associates III Limited Partnership, dated as of December 18, 2000.
10.46 (5)	First Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of September 26, 2001.
10.48 (5)	2001 Supplemental Stock Plan.
10.53 (6)	Second Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of May 20, 2002.
10.54 (6)+	Amended and Restated Master Service Agreement by and between International Business Machines Corporation and Equinix, Inc., dated as of May 1, 2002.
10.56 (7)+	Second Amendment to Lease Agreement with Burlington Realty Associates III Limited Partnership, dated as of October 1, 2002.
10.58 (7)	Form of Severance Agreement entered into by the Company and each of the Company’s executive officers.
10.60 (9)	Governance Agreement by and among Equinix, Inc., STT Communications Ltd., i-STT Communications Ltd., STT Investments Pte Ltd and the Pihana Pacific stockholder named therein, dated as of December 31, 2002.
10.61 (9)	Tenancy Agreement over units #06-01, #06-05, #06-06, #06-07 and #06-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.

Exhibit Number	Description of Document
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.
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.

Exhibit Number	Description of Document
10.94 (15)	Fourth Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of November 21, 2003.
10.95 (15)+	Sublease Agreement between Sprint Communications Company, L.P. and Equinix Operating Co., Inc. dated October 24, 2003.
10.96 (15)	Tenancy Agreement over units #03-01, #03-02, #03-03, #03-04 of Block 20 Ayer Rajah Crescent, Singapore 139964.
10.97 (15)	Lease Agreement with JMA Robinson Redevelopment, LLC, as successor in interest to Carrier Central L.A., Inc., dated as of November 30, 2003.
10.99 (16)	Indenture among Equinix, Inc. and U.S. Bank National Association as Trustee dated February 11, 2004.
10.101 (16)	First Amendment to Lease Agreement dated September 1, 1999, between Lakeside Purchaser L.L.C. as successor in interest to Carlyle-Core Chicago, LLC and Equinix Operating Co., Inc.
10.102 (17)	Supplemental Lease Agreement with Comfort Development Limited dated May 18, 2004.
10.103 (18)+	Lease Agreement dated April 21, 2004 between Eden Ventures LLC and Equinix, Inc.
10.104 (18)	Lease Amendment Agreement dated June 17, 2004 between Equinix Japan KK and Mitsubishi Electric Information Network Corporation.
10.105 (18)	Equinix, Inc. 2004 International Employee Stock Purchase Plan effective as of June 3, 2004.
10.106 (18)	Equinix, Inc. Employee Stock Purchase Plan effective as of June 3, 2004.
10.107 (19)	First Amendment to Sublease Agreement dated June 21, 2004 between Equinix Operating Co. Inc. and Sprint Communications Company L.P.
10.108 (19)	Omnibus Amendment Agreement dated November 24, 2004 between Equinix, Inc. and i-STT Investments Pte Ltd.
10.109 (19)+	Assignment and Assumption of Lease and First Amendment to Lease dated December 6, 2004, between Equinix Operating Company, Inc., Abovenet Communications, Inc., and Brokaw Interests; and Lease dated December 29, 1999 between Abovenet Communications, Inc., and Brokaw Interests.
10.110 (19)+	Loan and Security Agreement dated December 6, 2004 between Equinix, Inc. and Silicon Valley Bank
10.111 (19)	Sublease dated January 1, 2005 between Equinix, Inc, and At Last Sportswear, Inc./ Sharp Eye, Inc.
10.113 (19)	First Amendment to Lease dated January 18, 2005 between Eden Ventures LLC and Equinix, Inc.
10.115 (20)	Form of Restricted Stock Agreement for the Company’s executive officers under the Company’s 2000 Equity Incentive Plan.

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Exhibit Number	Description of Document
10.116 (20)	2005 Incentive Plan.
10.117	Lease Agreement dated June 9, 2005 between Equinix Operating Co., Inc. and Mission West Properties L.P. and associated Guarantee of Equinix, Inc.
10.118+	Agreement of Sublease dated July 13, 2005 between Equinix Operating Co., Inc. and Verio Inc.
21.1	Subsidiaries of Equinix.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement on Form S-4 (Commission File No. 333-93749).
(2) Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement in Form S-1 (Commission File No. 333-39752).
(3) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
(4) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
(5) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
(6) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
(7) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
(8) Incorporated herein by reference to Annex A of Equinix's Definitive Proxy Statement filed with the Commission December 12, 2002.
(9) Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
(10) Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2002.
(11) Incorporated herein by reference to exhibit 10.1 in the Registrant's filing on Form 8-K on May 1, 2003.
(12) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
(13) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
(14) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
(15) Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
(16) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
(17) Incorporated herein by reference to the exhibit of the same number in the Registrant's Registration Statement in Form S-3 (Commission File No. 333-116322).

(18) Incorporated herein by reference to the exhibit of the same number in the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
(19) Incorporated herein by reference to the exhibit of the same number in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.
(20) 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, 2005.
+ Confidential treatment has been requested for certain portions which are omitted in the copy of the exhibit electronically filed with the Securities and Exchange Commission. The omitted information has been filed separately with the Securities and Exchange Commission pursuant to Equinix's application for confidential treatment.

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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 4, 2005

By: /s/ RENEE F. LANAM

Chief Financial Officer and Secretary
(Principal Financial Officer)

/s/ KEITH D. TAYLOR

Vice President, Finance
(Principal Accounting Officer)

Exhibit 10.117

STANDARD FORM LEASE

1. Basic Provisions

1.1 Parties: This Lease, executed in duplicate at Cupertino, California, on June 9, 2005, by and between Mission West Properties, L.P., a Delaware limited partnership, and Equinix Operating Co., Inc., a Delaware Corporation, [a wholly owned subsidiary of Equinix, Inc., a Delaware corporation who's stock is traded on the Nasdaq (Symbol: EQIX)] hereinafter called respectively Lessor and Lessee, without regard to number or gender.

1.2 Letting: Lessor hereby leases to Lessee, and Lessee hires from Lessor, the Premises, as defined herein, for the term, at the rental and upon all the terms and conditions set forth herein.

1.3 Use: Lessee may use the Premises for the purpose of conducting therein data center, colocation facility, general office, and any other legal activity.

1.4 Premises: The real property with improvements and appurtenances as shown on Exhibit A (the "Premises") situated in the City of Sunnyvale, County of Santa Clara, State of California, and more particularly described as follows:

The Premises includes an 119,756 square foot building, including all improvements thereto, including the right to use up to 150 exclusive parking spaces, as shown on Exhibit A.1. The address for the Premises is 255 Caspian Drive, Sunnyvale, California. Lessee's pro-rata share of the Premises is 100%. In the event a building is constructed at 245 Caspian Drive, any costs for maintaining the common ingress and egress between the Premises and 245 Caspian Drive as described on Exhibit A.1 would be shared equally by the Lessee and owner of 245 Caspian Drive. The parties acknowledge that as a part of the Premises Lessee shall have the right to use the roof of the building described above for installation of communications equipment, HVAC equipment or other types of equipment typically installed on roofs in similar types of buildings and shall have a right to use the land around the building described above and as shown on Exhibit A-1 for placement of emergency power generators, accompanying fuel tanks, cabling, wiring and other connective items, subject to applicable governmental approvals.

1.5 Term: The term shall be for one hundred eighty (180) months unless extended pursuant to Section 35 of this Lease (the "Lease Term"), commencing on the Commencement Date as defined in Section 1.11 and ending one hundred eighty (180) months thereafter.

1.6 Rent: Rent shall be payable in monthly installments as described on Exhibit B.

Base rent and CAC as scheduled shall be payable in advance on or before the first day of each calendar month during the Lease Term. The term "Rent," as used herein, shall be deemed to be and to mean the base monthly rent and all other sums required to be paid by Lessee pursuant to the terms of this Lease. Rent shall be paid in lawful money of the United States of America, without offset or deduction, and shall be paid to Lessor at such place or places as may be designated from time to time by Lessor. Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment. Upon execution of this Lease, Lessee shall deposit with Lessor the first month's rent, including estimated CAC and Security Deposit.

1.7 Security Deposit: Upon execution of the Lease, Lessee shall (i) deposit with Lessor the sum of Two Million Dollars ($2,000,000) as a security deposit hereunder (the "Security Deposit"), and (ii) a duly executed guaranty from Equinix, Inc., a Delaware corporation (the "Guarantor") who's stock is traded on the Nasdaq (Symbol: EQIX), in the form attached hereto as Exhibit C (the "Guaranty"). At the option of Lessee as an alternative to depositing cash with Lessor for the Security Deposit, Lessee on or before the execution of the Lease can deliver to Lessor an irrevocable standby letter of credit for the sum of Two Million Dollars ($2,000,000) issued by a major U.S. Bank, which shall include Silicon Valley Bank (the "Letter of Credit"). The

Letter of Credit will automatically renew annually with an expiration date sixty (60) days beyond the anniversary of the Lease Commencement Date. If the bank issuing the Letter of Credit does not renew the Letter of Credit at any time during the Lease Term, the bank issuing the Letter of Credit will provide Lessor with sixty (60) days written notice prior to the expiration of the Letter of Credit that the bank will not renew the Letter of Credit. In the event a Letter of Credit is not renewed, Lessee may either (i) deliver a replacement Letter of Credit no less than thirty (30) days prior to the expiration of the previously issued Letter of Credit and upon receipt of the replacement Letter of Credit from Lessee, Lessor will immediately deliver the expiring Letter of Credit to Lessee, or (ii) deposit cash with Lessor for the amount of the Security Deposit no less than thirty (30) days prior to the expiration of the expiring Letter of Credit and upon receipt of the cash Security Deposit from Lessee, Lessor will immediately deliver the expiring Letter of Credit to Lessee. The Security Deposit shall be held by Lessor as security for the faithful performance by Lessee of all of the terms, covenants, and conditions of this Lease applicable to Lessee. In the nineteenth (19th) month following the Lease Commencement Date the Security Deposit will be reduced to One Million Five Hundred Thousand Dollars ($1,500,000), subject to: (i) no event of default by Lessee during the preceding 18 month period and (ii) Guarantor's Tangible Net Worth, defined as total stockholders' equity less intangible assets prepared in accordance with GAAP as disclosed in the Guarantor's publicly filed financial statements, is in excess of One Hundred Million Dollars ($100,000,000). In the thirty seventh (37th) month following the Lease Commencement Date the Security Deposit will be reduced to One Million Dollars ($1,000,000), subject to: (i) no event of default by Lessee during the preceding 18 month period and (ii) Guarantor's Tangible Net Worth is in excess of One Hundred Million Dollars ($100,000,000). If Lessee commits a default as provided for herein, including but not limited to a default with respect to the provisions contained herein relating to the condition of the Premises, Lessor may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any amount which Lessor may spend by reason of default by Lessee. If any portion of the Security Deposit is so used or applied, Lessee or Guarantor shall, within ten days after written demand therefor, deposit cash or replenish any draw under the Letter of Credit with Lessor in an amount sufficient to restore the Security Deposit to its original amount. Lessee's or Guarantor's failure to do so shall be a default as defined herein. Notwithstanding the foregoing, if at any time during the Lease Term: (i) Lessee commits an event of default that is not cured beyond the applicable notice and cure periods provided in the Lease; or (ii) Guarantor's Tangible Net Worth is less than One Hundred Million Dollars ($100,000,000) the Security Deposit will be increased promptly to Two Million Dollars ($2,000,000). Any attempt by Lessee or Guarantor to transfer or encumber its interest in the Security Deposit shall be null and void.

1.8 Common Area Charges: Lessee shall pay to Lessor, as additional Rent, an amount equal to Lessee's pro-rata share of the total common area charges of the Premises as defined below (the common area charges for the Premises is referred to herein as ("CAC")). Lessee shall pay to Lessor as Rent, on or before the first day of each calendar month during the Lease Term, subject to adjustment and reconciliation as provided hereinbelow, the sum of Forty Six Thousand Seven Hundred Four and 84/100's Dollars ($46,704.84), said sum representing Lessee's estimated monthly payment of Lessee's percentage share of CAC and includes a fixed monthly sum of Two Thousand Three Hundred Ninety Five and 00/100's Dollars ($2,395.00) which represents the long term capital reserve for replacement of parking lot, roof and painting of building exterior ("Capital Reserves"). It is understood and agreed that Lessee's obligation under this paragraph shall be prorated to reflect the Commencement Date and the end of the Lease Term.

Lessee's estimated monthly payment of CAC payable by Lessee during the calendar year in which the Lease commences is set forth above. At or prior to the commencement of each succeeding calendar year term (or as soon as practical thereafter), Lessor shall provide Lessee with Lessee's estimated monthly payment for CAC for the subject calendar year which Lessee shall pay to Lessor as Rent. Within 120 days of the end of each calendar year during the term hereof and within 120 days of the end of the Lease Term, Lessor shall provide Lessee a statement of actual CAC incurred including Capital Reserves expended for the preceding year or other applicable period in the case of a termination year. If such statement shows that Lessee has paid less than

its actual percentage, then Lessee shall on demand pay to Lessor the amount of such deficiency. If such statement shows that Lessee has paid more than its actual percentage, then Lessor shall, at its option, promptly refund such excess to Lessee or credit the amount thereof to the Rent next becoming due from Lessee. Lessor reserves the right to revise any estimate of CAC if the actual or projected CAC show an increase or decrease in excess of 10% from an earlier estimate for the same period. In such event, Lessor shall provide a revised estimate to Lessee, together with an explanation of the reasons therefor, and Lessee shall revise its monthly payments accordingly. Lessor's and Lessee's obligation with respect to adjustments at the end of the Lease Term or earlier expiration of this Lease shall survive the Lease Term or earlier expiration. Notwithstanding the foregoing, Lessor shall not be entitled to recover for any CAC expense incurred more than twenty-four (24) months prior to the date that the applicable expenses statement for such CAC expenses is delivered to Lessee. During the Term of the Lease or any extensions thereof, the Lessee will have the right to audit the Lessor's records for the Premises within one (1) year of receipt by the Lessee of the annual statement of actual CAC incurred including Capital Reserves expended. The audit will take place during normal business hours at the Lessor's office on a date mutually agreed to by the parties and Lessor shall provide reasonable facilities for the conduct of such audit. In the event that such audit shows any additional sums due from Lessee to Lessor on account of CAC expenses, Lessee shall pay such sums at the time of the next payment of Rent hereunder. In the event that such audit shows that Lessee has overpaid any CAC expenses for any year in questions, then Lessee shall be entitled to deduct such overpaid amount from the next payment of Base Rent hereunder, or if this Lease has terminated, Lessor shall, within thirty (30) days of the receipt of such audit, refund such overpaid amount to Lessee. If the audit by the Lessee results in a discrepancy of greater than five percent (5%), Lessor will reimburse Lessee, for Lessee's reasonable out of pocket costs for the audit.

As used in this Lease, CAC shall include but is not limited to: (i) items as specified in Sections 5(b), 6, 16, 31 and ; (ii) all costs and expenses including but not limited to supplies, materials, equipment and tools used or required in connection with the operation and maintenance of the Premises; (iii) licenses, permits and inspection fees; (iv) all other costs incurred by Lessor in maintaining and operating the Premises; (v) Capital Reserves replacements and government regulations imposed on the Premises not related to Lessee's use and occupancy of the Premises; and (vi) an amount equal to Five Thousand Nine Hundred Eighty Eight and 00/100's Dollars ($5,988.00) per month, as compensation for Lessor's accounting and management services. Lessee shall have the right to review the basis and computation analysis used to derive the CAC applicable to this Lease annually.

1.9 Late Charges: Lessee hereby acknowledges that a late payment made by Lessee to Lessor of Rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges, which may be imposed on Lessor according to the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of base monthly rent or monthly estimate of CAC is not received by Lessor or Lessor's designee within five (5) days after such amount is due or if any other Rent or other sum payable to Lessor is not received by Lessor or Lessor's designee within thirty (30) days after Lessor delivers a written notice to Lessee, Lessee shall pay to Lessor a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payments made by Lessee. Acceptance of such late charges by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor shall it prevent Lessor from exercising any of the other rights and remedies granted hereunder.

1.10 Quiet Enjoyment: Lessor covenants and agrees with Lessee that upon Lessee paying Rent and performing its covenants and conditions under this Lease, Lessee shall and may peaceably and quietly have, hold and enjoy the Premises for the Lease Term, subject, however, to the rights reserved by Lessor hereunder.

1.11 Possession: Possession shall be deemed tendered on October 1, 2005. The Lease Term shall commence October 1, 2005 (the "Commencement Date"). Prior to the Commencement Date, Lessor will grant Lessee access to the Premises at times mutually agreed to by Lessor and Lessee during normal business hours for the purpose of completing any further investigations, inspections, measurements, planning, testing or evaluations, upon Lessee's execution of the Lease and Lessee's delivery of the Advance Rent and Security Deposit, and Lessor's receipt of all required insurance certificates from Lessee.

2. Interior Improvements: Lessor will grant Lessee the right to use the existing furniture, racks, raised flooring, cages, power generating systems, video surveillance cameras, monitors and recorders, and voice and data cabling (including certain additional racks and caging being stored off Premises by Lessor) (the "FF&E") during the Term of the Lease at no additional cost. Lessor and Lessee will jointly complete a physical inventory at a mutually agreeable time during normal business hours on or before August 31, 2005, of the FF&E as of the date of the Lease which will be incorporated in Exhibit D to this Lease. If Lessee elects to accept FF&E stored off Premises, on or before August 31, 2005, Lessee will move at Lessee's sole cost and expense the additional racks and caging being stored off Premises by Lessor as of the date of the Lease. Lessee acknowledges that it accepts the existing FF&E in "as is where is" condition, and Lessee is solely responsible for all maintenance, repairs and Required Replacements as defined herein. If Lessee determines prior to or during the Lease Term that it will not use certain FF&E (the "Discarded FF&E"), Lessee will notify Lessor in writing describing the Discarded FF&E. Lessor will have five (5) days to determine if Lessor wants to remove the Discarded FF&E. Lessor's failure to respond within the five (5) days following the written notice from Lessee will automatically allow Lessee to remove the Discarded FF&E at Lessee's sole cost and expense. If Lessor decides to accept the Discarded FF&E, Lessor will have up to thirty (30) days to remove the Discarded FF&E at Lessor's sole cost and expense at a time mutually agreed to by the parties.

2.1 Acceptance Of Premises And Covenants To Surrender: Lessee accepts the Premises and the FF&E in an "AS IS" condition and "AS IS" state of repair, subject to Lessor's representation that the Premises and FF&E are in Good Condition and Repair as defined herein, and comply with all requirements for occupancy as of the date of this Lease. On or before August 31, 2005, Lessor will complete the re-commissioning of the existing five (5) Hitec generators including the diesel fuel delivery systems, and will inspect and complete any maintenance and repairs of the Mechanical Systems, as defined herein, installed at the Premises as of the date of the Lease. "Mechanical Systems" as used herein shall include but are not limited to the existing cooling towers, air handlers, Liebert units, McQuay units, any other HVAC package units, condenser water pumps, water storage pumps and the mechanical control and monitoring system. Upon completion of the re-commissioning of the Hitec generators and any maintenance and repairs of the Mechanical systems, Lessor will provide Lessee with written notification that the Hitec generators and Mechanical Systems installed at the Premises as of the date of the Lease are in Good Condition and Repair. Lessee agrees on the last day of the Lease Term, or on the sooner termination of this Lease, to surrender the Premises and FF&E to Lessor in Good Condition and Repair. "Good Condition and Repair" shall generally mean that the Premises are in the condition that one would expect the Premises to be in, if throughout the Lease Term Lessee (i) uses and maintains the Premises and FF&E in a commercially reasonable manner and in an accordance with the requirements of this Lease and (ii) makes all Required Replacements. "Required Replacements" are the replacements to nonfunctioning equipment, fixtures, and improvements that a commercially reasonable owner-user would make. All of the following shall be in Good Condition and Repair: (i) the interior walls and floors of all offices and other interior areas, (ii) all suspended ceilings and any carpeting shall be clean and in good condition, (iii) all glazing, windows, doors and door closures, plate glass, and (iv) all electrical systems including light fixtures and ballasts, plumbing, temperature control systems and FF&E. Good Condition and Repair shall not require the replacement of functioning but obsolete FF&E. Lessee, on or before the end of the Lease Term or sooner termination of this Lease, shall remove all its personal property and trade fixtures from the Premises, and all such property not so removed shall be deemed to be abandoned by Lessee, Lessee shall reimburse Lessor for all disposition costs incurred by Lessor relative to

Lessee’s abandoned property. If the Premises are not surrendered at the end of the Lease Term or earlier termination of this Lease, Lessee shall indemnify Lessor against loss or liability resulting from any delay caused by Lessee in surrendering the Premises including, without limitation, any claims made by any succeeding Lessee founded on such delay.

3. Uses Prohibited: Lessee shall not commit, or suffer to be committed, any waste upon the Premises, or any nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant around the buildings in which the subject Premises are located or allow any sale by auction upon the Premises, or allow the Premises to be used for any purposes not permitted hereunder, or place any loads upon the floor, walls, or ceiling which may endanger the structure, or use any machinery or apparatus which will in any manner vibrate or shake the Premises or the building of which it is a part, or place any harmful liquids in the drainage system of the building. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises outside of the building proper. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature shall be stored upon or permitted to remain on any portion of the Premises outside of the building structure, unless approved by the local, state federal or other applicable governing authority. Lessor consents to Lessee’s use of materials which are incidental to the normal, day-to-day operations of any similar user, such as fuel tanks for emergency generators, fire suppression systems, copier fluids, cleaning materials, etc., but this does not relieve Lessee of any of its obligations not to contaminate the Premises and related real property or violate any Hazardous Materials Laws.

4. Alterations And Additions: Lessee shall not make, or suffer to be made, any alteration or addition to said Premises, or any part thereof, without the express, advance written consent of Lessor; any addition or alteration to said Premises, except movable furniture and trade fixtures, shall become at once a part of the realty and belong to Lessor at the end of the Lease Term or earlier termination of this Lease. Alterations and additions which are not deemed as trade fixtures shall include HVAC systems, lighting systems, electrical systems, partitioning, carpeting, or any other installation which has become an integral part of the Premises. Lessee agrees that it will not proceed to make such alterations or additions until all required government permits have been obtained and after having obtained consent from Lessor to do so, until five (5) days from the receipt of such consent, so that Lessor may post appropriate notices to avoid any liability to contractors or material suppliers for payment for Lessee’s improvements. Lessee shall at all times permit such notices to be posted and to remain posted until the completion of work. At the end of the Lease Term or earlier termination of this Lease, Lessee shall remove and shall be required to remove its special tenant improvements, all related equipment, and any additions or alterations installed by Lessee at or during the Lease Term and Lessee shall return the Premises to the condition that existed before the installation of the tenant improvements and repair any damage relating to such removal. Notwithstanding the above, Lessor agrees to allow any reasonable alterations and improvements and will use its best efforts to notify Lessee at the time of approval if such improvements or alterations are to be removed at the end of the Lease Term or earlier termination of this Lease. Notwithstanding the foregoing, Lessee may make alterations (including removal and rearrangement of the prior alterations) which do not affect the building systems, exterior appearance, structural components or structural integrity, which do not exceed collectively One Hundred Thousand Dollars ($100,000) in cost within any twelve (12) month period, without Lessor’s prior written consent. Lessee is responsible to deliver at Lessee’s sole cost and expense all as built drawings to Lessor (one set of CAD and one hardcopy), any applicable permits and certificates of occupancy that are issued upon completion of any alteration(s) by Lessee. Lessor has reviewed and approved the initial alterations contemplated by Lessee as described on Exhibit E (the “Initial Alterations”), and acknowledges that such Initial Alterations shall not require further approval by Lessor but that Lessee shall deliver to Lessor the CAD and hardcopy of the as built drawings and any permits for such Initial Alterations upon completion thereof, as required above. Notwithstanding the foregoing, (i) Lessee shall have no obligation to remove such Initial Alterations upon the expiration of the term hereof or to return the Premises to the condition existing prior to the installation of such Initial Alterations, and (ii) if Lessee exercises its first option to extend the Lease Term, as defined herein, for an additional sixty (60) months (i.e., months 181 through 240), Lessee will neither have the obligation to remove any other alterations or improvements made during the term hereof, nor return the Premises to the condition that existed before the alterations or installation of the improvements completed by Lessee during the Lease Term or any extensions thereof.

5. Maintenance of Premises:

(a) Lessee shall at its sole cost and expense keep, repair, and maintain the interior of the Premises in Good Condition and Repair, including, but not limited to, the interior walls and floors of all offices and other interior areas, doors and door closures, all lighting systems, temperature control systems, plumbing systems, fire monitoring services, raised computer flooring, life safety systems, mechanical systems, and power generating systems, including any Required Replacements. Lessee shall provide interior and exterior window washing as needed.

(b) Lessor shall, at Lessee's expense, keep, repair, and maintain in Good Condition and Repair, including replacements, the following, which shall be included in the monthly CAC:

1. The exterior of the building, any appurtenances and every part thereof, including but not limited to, glazing, sidewalks, parking areas, electrical systems, and painting of exterior walls. The parking lot is to receive a finish coat every five to seven years.

2. Intentionally omitted.

3. The landscaping by a landscape contractor to water, maintain, trim and replace, when necessary, any shrubbery, irrigation parts, and landscaping at the Premises.

4. The roof membrane by a service contract with a licensed reputable roofing contractor which contract shall provide for a minimum of semi-annual maintenance, cleaning of storm gutters, drains, removing of debris, and trimming overhanging trees, repair of the roof and application of a finish coat every five years to the building at the Premises.

5. Exterior pest control.

6. Intentionally omitted.

7. Parking lot sweeping.

Lessee has the right to directly secure, supervise and pay for the items in this Section 5(b) 1 through 7 by delivering a written notice to Lessor at least thirty (30) days in advance, and as long as such actions result in comparable services being provided. To the extent Lessee elects to have direct control, supervision and payment of all or a portion of the CAC, Lessee will provide Lessor customary proof of payment and/or maintenance records contemporaneously, as applicable, relating to the CAC in Lessee's direct control, supervision and payment. Notwithstanding the foregoing or any other provision of this Lease, Lessee, at Lessee's sole cost and expense, has the right to complete any necessary emergency repairs covered by the CAC's to mitigate damage to the Premises or avoid any disruption of their business. Following the Lessee's completion of any necessary emergency repairs, Lessee will promptly notify Lessor in writing of the emergency repairs that were completed.

(c) Lessee hereby waives any and all rights to make repairs at the expense of Lessor as provided in Section 1942 of the Civil Code of the State of California, and all rights provided for by Section 1941 of said Civil Code.

(d) Lessor shall be responsible for the repair of any structural defects in the Premises including the roof structure (not membrane), exterior walls and foundation during the Lease Term.

6. Insurance:

A) Hazard Insurance: Lessee shall not use, or permit said Premises, or any part thereof, to be used, for any purpose other than that for which the Premises are hereby leased; and no use shall be made or permitted to be made of the Premises, nor acts done, which may cause a cancellation of any insurance policy covering the Premises, or any part thereof. Lessee shall comply with any and all requirements, pertaining to said Premises, of any insurance organization or company, necessary for the maintenance of reasonable fire and extended coverage insurance, covering the Premises, including the proper maintenance, repairs, monitoring or replacement, as required, for the underground or any above ground diesel fuel storage tanks. Lessor shall, at Lessee's sole cost and expense, purchase and keep in force fire and extended coverage insurance, covering loss or damage to the Premises in an amount equal to the full replacement cost of the Premises, as determined by Lessor, with proceeds payable to Lessor. In the event of a loss per the insurance provisions of this paragraph, Lessee shall be responsible for deductibles up to a maximum of $10,000 per occurrence. Lessee acknowledges that the insurance referenced in this paragraph does not include coverage for Lessee's personal property.

B) Loss of Rents Insurance: Lessor shall, at Lessee's sole cost and expense, purchase and maintain in full force and effect, a policy of rental loss insurance, in an amount equal to the amount of Rent payable by Lessee commencing within sixty (60) days of the date of the loss or on the date of loss if reasonably available for the next ensuing one (1) year, as reasonably determined by Lessor with proceeds payable to Lessor ("Loss of Rents Insurance").

C) Liability and Property Damage Insurance: Lessee, as a material part of the consideration to be rendered to Lessor, hereby waives all claims against Lessor and Lessor's Agents for damages to goods, wares and merchandise, and all other personal property in, upon, or about the Premises, and for injuries to persons in, upon, or about the Premises, from any cause arising at any time, and Lessee will hold Lessor and Lessor's Agents exempt and harmless from any damage or injury to any person, or to the goods, wares, and merchandise and all other personal property of any person, arising from the use or occupancy of the Premises by Lessee, or from the failure of Lessee to keep the Premises in Good Condition and Repair, as herein provided, except such as may have been caused by the gross negligence or willful misconduct of Lessor. Lessee shall, at Lessee's sole cost and expense, purchase and keep in force a standard policy of commercial general liability insurance and property damage policy covering the Premises and all related areas insuring the Lessee having a combined single limit for both bodily injury, death and property damage in an amount not less than Five Million and 00/100's Dollars ($5,000,000.00) and Lessee's insurance shall be primary. The limits of said insurance shall not, however, limit the liability of Lessee hereunder. Lessee shall, at its sole cost and expense, comply with all of the insurance requirements of all local, municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to Lessee's use and occupancy of the said Premises.

D) Personal Property Insurance: Lessee shall obtain, at Lessee's sole cost and expense, a policy of fire and extended coverage insurance including coverage for direct physical loss special form, and a sprinkler leakage endorsement insuring the personal property of Lessee. The proceeds from any personal property damage policy shall be payable to Lessee.

All insurance policies required or described in 6 A) through 6 D) above shall: (i) provide for a certificate of insurance evidencing the insurance required herein, being delivered by Lessor or Lessee, as applicable, to the other party within ten (10) days prior to the Commencement Date, and annually thereafter, (ii) be in a form reasonably satisfactory to Lessor and shall provide the coverage required by Lessee in this Lease, (iii) be carried with companies with a Best Rating of A minimum, (iv) specifically provide that such policies shall not be subject to cancellation or any material adverse change in conditions or limit of liability except after 30 days prior written notice to Lessor or Lessee, as applicable, (v) name Lessor, Lessor's lender, and any other party with an insurable interest in the Premises as additional insureds by endorsement to policy, and (vi) shall be primary.

Lessee agrees to pay to Lessor, as additional Rent, on demand, the full cost of the insurance polices referenced in 6 A) and 6 B) above as evidenced by insurance billings to Lessor which shall be included in the CAC. If Lessee does not occupy the entire Premises, the insurance premiums shall be allocated to the portion of the Premises occupied by Lessee on a pro-rata square footage or other equitable basis, as determined by Lessor. It is agreed that Lessee's obligation under this paragraph shall be prorated to reflect the Commencement Date and the end of the Lease Term. Lessee has the right to directly secure, supervise and pay for the insurance policies referenced in 6 A) and 6 B) above by delivering a written notice to Lessor at least sixty (60) days in advance of Lessor's insurance policy year end, and as long as such actions result in coverages and deductibles being provided that are at least the same or better than Lessor's existing insurance policies coverages and deductibles. To the extent Lessee elects to have direct control, supervision and payment of the insurance policies referenced in 6 A) and 6 B) above, Lessee shall: (i) provide for a certificate of insurance evidencing the insurance required herein, being deposited with Lessor ten (10) days prior to the Commencement Date, and upon each renewal, such certificates shall be provided thirty (30) days prior to the expiration date of such coverage, (ii) be in a form reasonably satisfactory to Lessor and shall provide the coverage required by Lessee in this Lease, (iii) be carried with companies with a Best Rating of A minimum, (iv) specifically provide that such policies shall not be subject to cancellation, reduction of coverage, or other change except after thirty (30) days prior written notice to Lessor, (v) name Lessor, Lessor's lender, and any other party with an insurable interest in the Premises as additional insureds by endorsement to policy, and (vi) shall be primary.

Lessor and Lessee hereby waive any rights each may have against the other related to any loss or damage caused to Lessor or Lessee as the case may be, or to the Premises or its contents, and which may arise from any risk covered by fire and extended coverage insurance and those risks required to be covered under Lessee's personal property insurance. The parties shall provide that their respective insurance policies insuring the property or the personal property include a waiver of any right of subrogation which said insurance company may have against Lessor or Lessee, as the case may be.

7. Abandonment: Lessee shall not vacate or abandon the Premises at any time during the Lease Term; and if Lessee shall abandon, vacate or surrender said Premises, or be dispossessed by process of law, or otherwise, any personal property belonging to Lessee and left on the Premises shall be deemed to be abandoned, at the option of Lessor. Notwithstanding the above, the Premises shall not be considered vacated or abandoned, regardless of whether Lessee actually occupies the Premises, if Lessee maintains the Premises in Good Condition and Repair, provides security and is not in default.

8. Free From Liens: Lessee shall keep the subject Premises and the property in which the subject Premises are situated, free from any and all liens including but not limited to liens arising out of any work performed, materials furnished, or obligations incurred by Lessee. However, the Lessor shall allow Lessee to contest a lien claim, so long as the claim is discharged prior to any foreclosure proceeding being initiated against the property and provided Lessee provides Lessor a bond if the lien exceeds $5,000.

9. Compliance With Governmental Regulations: Lessee shall, at its sole cost and expense, comply with all of the requirements of all local, municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the Premises, and shall faithfully observe in the use and occupancy of the Premises all local and municipal ordinances and state and federal statutes now in force or which may hereafter be in force. Notwithstanding the foregoing, Lessor shall be responsible for the compliance with governmental regulations for any structural components in the Premises as defined by Section 5(d), unless the compliance is caused by damage due to Lessee or Lessee's Agent's negligence, or Lessee's alteration, improvements or addition to the Premises as defined herein.

10. Intentionally Omitted.

11. Advertisements and Signs: Lessee shall not place or permit to be placed, in, upon or about the Premises any unusual or extraordinary signs, or any signs not approved by the city, local, state, federal or other applicable governing authority. Lessee shall not place, or permit to be placed upon the Premises, any signs, advertisements or notices without the written consent of the Lessor, and such consent shall not be unreasonably withheld. A sign so placed on the Premises shall be so placed upon the understanding and agreement that Lessee will remove same at the end of the Lease Term or earlier termination of this Lease and repair any damage or injury to the Premises caused thereby, and if not so removed by Lessee, then Lessor may have the same removed at Lessee's expense. Lessor shall not place any signs on the Premises or on any other property of Lessor indicating Lessee's occupation of the Premises.

12. Utilities: Lessee shall pay for all water, gas, heat, light, power, telephone, voice or data transmission, and other utilities supplied to the Premises during the Term of the Lease or any extensions thereof. Any charges for sewer usage, PG&E and telephone site service or related fees shall be the obligation of Lessee and paid for by Lessee. Such services shall be separately metered to Lessee. Lessor and Lessee agree that Lessor shall not be liable to Lessee for any disruption in any of the utility services to the Premises.

13. Attorney's Fees: In case suit should be brought for the possession of the Premises, for the recovery of any sum due hereunder, because of the breach of any other covenant herein, or to enforce, protect, or establish any term, conditions, or covenant of this Lease or the right of either party hereunder, the losing party shall pay to the Prevailing Party reasonable attorney's fees which shall be deemed to have accrued on the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment. The term "Prevailing Party" shall mean the party that received substantially the relief requested, whether by settlement, dismissal, summary judgment, judgment, or otherwise.

14. Default

14.1 Lessee Default: The occurrence of any of the following shall constitute a default and breach of this Lease by Lessee: a) Any failure by Lessee to pay Rent or to make any other payment due under this Lease within three (3) business days of written notice from Lessor; b) The abandonment or vacation of the Premises by Lessee except as provided in Section 7; c) A failure by Lessee to observe and perform any other provision of this Lease to be observed or performed by Lessee, where such failure continues for thirty (30) days after written notice thereof by Lessor to Lessee; provided, however, that if the nature of such default is such that the same cannot be reasonably cured within such thirty (30) day period, Lessee shall not be deemed to be in default if Lessee shall, within such period, commence such cure and thereafter diligently prosecute the same to completion; d) The making by Lessee of any general assignment for the benefit of creditors; the filing by or against Lessee of a petition to have Lessee adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy; e) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets or Lessee's interest in this Lease, or the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease.

14.2 Surrender Of Lease: In the event of any such default by Lessee, then in addition to any other remedies available to Lessor at law or in equity, Lessor shall have the immediate option to terminate this Lease before the end of the Lease Term and all rights of Lessee hereunder, by giving written notice of such intention to terminate. In the event that Lessor terminates this Lease due to a default of Lessee, then Lessor may recover from Lessee: a) the worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus b) the worth at the time of award of unpaid Rent which would have been earned after termination until the time of award exceeding the amount of such rental loss that the Lessee proves could have been reasonably avoided; plus c) the worth at the time of award of the amount by which the unpaid Rent for the

balance of the Lease Term after the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; plus d) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform his obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and e) at Lessor's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law. As used in (a) and (b) above, the "worth at the time of award" is computed by allowing interest at the rate of Wells Fargo's prime rate plus two percent (2%) per annum. As used in (c) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

14.3 Right of Entry and Removal: In the event of any such default by Lessee, Lessor shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Lessee.

14.4 Abandonment: In the event of the vacation or abandonment, except as provided in Section 7, of the Premises by Lessee or in the event that Lessor shall elect to re-enter as provided in paragraph 14.3 above or shall take possession of the Premises pursuant to legal proceeding or pursuant to any notice provided by law, and Lessor does not elect to terminate this Lease as provided in Section 14.2 above, then Lessor may from time to time, without terminating this Lease, either recover all Rent as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental rates and upon such other terms and conditions as Lessor, in its sole discretion, may deem advisable with the right to make alterations and repairs to the Premises. In the event that Lessor elects to relet the Premises, then Rent received by Lessor from such reletting shall be applied; first, to the payment of any indebtedness other than Rent due hereunder from Lessee to Lessor; second, to the payment of any cost of such reletting; third, to the payment of the cost of any alterations and repairs to the Premises; fourth, to the payment of Rent due and unpaid hereunder; and the residue, if any, shall be held by Lessor and applied to the payment of future Rent as the same may become due and payable hereunder. Should that portion of such Rent received from such reletting during any month, which is applied by the payment of Rent hereunder according to the application procedure outlined above, be less than the Rent payable during that month by Lessee hereunder, then Lessee shall pay such deficiency to Lessor immediately upon demand therefor by Lessor. Such deficiency shall be calculated and paid monthly. Lessee shall also pay to Lessor, as soon as ascertained, any costs and expenses incurred by Lessor in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

14.5 No Implied Termination: No re-entry or taking possession of the Premises by Lessor pursuant to Section 14.3 or Section 14.4 of this Lease shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Lessee or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Lessor because of any default by Lessee, Lessor may at any time after such reletting elect to terminate this Lease for any such default.

15. Surrender Of Lease: The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subleases or sub tenancies, or may, at the option of Lessor, operate as an assignment to him of any or all such subleases or sub tenancies.

16. Taxes: Lessee shall pay and discharge punctually and when the same shall become due and payable without penalty, all real estate taxes, personal property taxes, taxes based on vehicles utilizing parking areas in the Premises, taxes computed or based on rental income (other than federal, state and municipal net income taxes), environmental surcharges, privilege taxes, excise taxes, business and occupation taxes, school fees or surcharges, gross receipts taxes, sales and/or use taxes, employee

taxes, occupational license taxes, water and sewer taxes, assessments (including, but not limited to, assessments for public improvements or benefit), assessments for local improvement and maintenance districts, and all other governmental impositions and charges of every kind and nature whatsoever, regardless of whether now customary or within the contemplation of the parties hereto and regardless of whether resulting from increased rate and/or valuation, or whether extraordinary or ordinary, general or special, unforeseen or foreseen, or similar or dissimilar to any of the foregoing (all of the foregoing being hereinafter collectively called "Tax" or "Taxes") which, at any time during the Lease Term, shall be applicable or against the Premises, or shall become due and payable and a lien or charge upon the Premises under or by virtue of any present or future laws, statutes, ordinances, regulations, or other requirements of any governmental authority whatsoever. The term "Environmental Surcharge" shall include any and all expenses, taxes, charges or penalties imposed by the Federal Department of Energy, Federal Environmental Protection Agency, the Federal Clean Air Act, or any regulations promulgated thereunder, or any other local, state or federal governmental agency or entity now or hereafter vested with the power to impose taxes, assessments or other types of surcharges as a means of controlling or abating environmental pollution or the use of energy in regard to the use, operation or occupancy of the Premises. The term "Tax" shall include, without limitation, all taxes, assessments, levies, fees, impositions or charges levied, imposed, assessed, measured, or based in any manner whatsoever (i) in whole or in part on the Rent payable by Lessee under this Lease, (ii) upon or with respect to the use, possession, occupancy, leasing, operation or management of the Premises, (iii) upon this transaction or any document to which Lessee is a party creating or transferring an interest or an estate in the Premises, (iv) upon Lessee's business operations conducted at the Premises, (v) upon, measured by or reasonably attributable to the cost or value of Lessee's equipment, furniture, fixtures and other personal property located on the Premises or the cost or value of any leasehold improvements made in or to the Premises by or for Lessee, regardless of whether title to such improvements shall be in Lessor or Lessee, or (vi) in lieu of or equivalent to any Tax set forth in this Section 16. In the event any such Taxes are payable by Lessor and it shall not be lawful for Lessee to reimburse Lessor for such Taxes, then the Rent payable thereunder shall be increased to net Lessor the same net rent after imposition of any such Tax upon Lessor as would have been payable to Lessor prior to the imposition of any such Tax. It is the intention of the parties that Lessor shall be free from all such Taxes and all other governmental impositions and charges of every kind and nature whatsoever. However, nothing contained in this Section 16 shall require Lessee to pay any Federal or State income, franchise, estate, inheritance, succession, transfer or excess profits tax imposed upon Lessor. If any general or special assessment is levied and assessed against the Premises, Lessor agrees to use its best reasonable efforts to cause the assessment to become a lien on the Premises securing repayment of a bond sold to finance the improvements to which the assessment relates which is payable in installments of principal and interest over the maximum term allowed by law. It is understood and agreed that Lessee's obligation under this paragraph will be prorated to reflect the Commencement Date and the end of the Lease Term. It is further understood that if Taxes cover the Premises and Lessee does not occupy the entire Premises, the Taxes will be allocated to the portion of the Premises occupied by Lessee based on a pro-rata square footage or other equitable basis, as determined by Lessor. Real estate taxes billed by Lessor to Lessee shall be included in the monthly CAC.

Subject to any limitations or restrictions imposed by any deeds of trust or mortgages now or hereafter covering or affecting the Premises, Lessee shall have the right to contest or review the amount or validity of any Tax by appropriate legal proceedings but which is not to be deemed or construed in any way as relieving, modifying or extending Lessee's covenant to pay such Tax at the time and in the manner as provided in this Section 16. However, as a condition of Lessee's right to contest, if such contested Tax is not paid before such contest and if the legal proceedings shall not operate to prevent or stay the collection of the Tax so contested, Lessee shall, before instituting any such proceeding, protect the Premises and the interest of Lessor and of the beneficiary of a deed of trust or the mortgagee of a mortgage affecting the Premises against any lien upon the Premises by (i) posting a surety bond, issued by an insurance company acceptable to Lessor and in an amount equal to one and one-half (1 $^{1}/_{2}$) times the amount contested or, at Lessor's option, the amount of the contested Tax and the interest and penalties in connection therewith; or (ii) pay the amount due under protest. Any contest as to the validity or amount of any Tax, whether before or after

payment, shall be made by Lessee in Lessee's own name, or if required by law, in the name of Lessor or both Lessor and Lessee. Lessee shall defend, indemnify and hold harmless Lessor from and against any and all costs or expenses, including attorneys' fees, in connection with any such proceedings brought by Lessee, whether in its own name or not. Lessee shall be entitled to retain any refund of any such contested Tax and penalties or interest thereon which has been paid by Lessee. Nothing contained herein shall be construed as affecting or limiting Lessor's right to contest any Tax at Lessor's expense.

17. Notices: Unless otherwise provided for in this Lease, any and all written notices or other communication (the "Communication") to be given in connection with this Lease shall be given in writing and shall be given by personal delivery, facsimile transmission or by mailing by registered or certified mail with postage thereon or recognized overnight courier, fully prepaid, in a sealed envelope addressed to the intended recipient as follows:

(a) To the Lessor at:
10050 Bandley Drive
Cupertino, California 95014
Attention: Carl E. Berg
Raymond V. Marino
Fax No: (408) 725-1626

(b) To the Lessee at:
301 Velocity Way, Fifth Floor
Foster City, CA 94404
Attention: Director of Real Estate
General Counsel
Fax No: (650) 513-7913

or such other addresses, facsimile number or individual as may be designated by a Communication given by a party to the other parties as aforesaid. Any Communication given by personal delivery shall be conclusively deemed to have been given and received on a date it is so delivered at such address provided that such date is a business day, otherwise on the first business day following its receipt, and if given by registered or certified mail, on the day on which delivery is made or refused or if given by recognized overnight courier, on the first business day following deposit with such overnight courier and if given by facsimile transmission, on the day on which it was transmitted provided such day is a business day, failing which, on the next business day thereafter.

18. Entry By Lessor: Upon twenty-four (24) hour advance notice by Lessor, Lessee shall permit Lessor and its agents to enter into and upon said Premises at all reasonable times using the minimum amount of interference and inconvenience to Lessee and Lessee's business, subject to any security regulations of Lessee, for the purpose of inspecting the same or for the purpose of maintaining the building in which said Premises are situated, or for the purpose of making repairs, alterations or additions to any other portion of said building, including the erection and maintenance of such scaffolding, canopies, fences and props as may be required, without any rebate of Rent and without any liability to Lessee for any loss of occupation or quiet enjoyment of the Premises; and shall permit Lessor and his agents, at any time within ninety (90) days prior to the end of the Lease Term, to place upon said Premises any usual or ordinary "For Sale" or "For Lease" signs and exhibit the Premises to prospective tenants at reasonable hours. Lessor acknowledges that, unless otherwise agreed to by Lessee, Lessor, or its agents, must be accompanied by a representative of Lessee during the entire period of any such entry onto the Premises. All such entries shall be during normal business hours, to the extent reasonably feasible.

19. Destruction Of Premises: In the event of a partial destruction of the said Premises during the Lease Term from any cause which is covered by Lessor's property insurance, Lessor shall forthwith repair the same, provided such repairs can be made within one (1) year after receipt of building permit under the laws and regulations of State, Federal, County, or Municipal authorities, but such partial destruction shall in no way annul or void this Lease, except that Lessee shall be entitled to a proportionate reduction of Rent commencing with the date of such casualty while such repairs are being made to the extent that portion of the Premises are rendered unusable for Lessee's purposes hereunder. With respect to any partial destruction which Lessor is obligated to repair or may elect to repair under the terms of this paragraph, the provision of Section 1932, Subdivision 2, and of Section 1933, Subdivision 4, of the Civil Code of the State of California are waived by Lessee. In the event that the building in which the subject Premises may be situated is destroyed to an extent greater than forty percent (40%) of the replacement cost thereof, Lessor or Lessee may, at their respective options, elect to terminate this Lease by written notice to the other party delivered within forty five (45) days of such casualty, whether the subject Premises is insured or not. A total destruction of the building in which the subject Premises are situated shall terminate this Lease. Notwithstanding the above, Lessor is only obligated to repair or rebuild to the extent of available insurance proceeds including any deductible amount paid by Lessee. Should Lessor determine that insufficient or no insurance proceeds are available for repair or reconstruction of Premises, Lessor, at its sole option, may terminate the Lease. Lessee shall have the option of continuing this Lease by agreeing to pay all repair costs to the subject Premises less any available insurance proceeds.

20. Assignment And Subletting: Lessee shall not assign this Lease, or any interest therein, and shall not sublet the said Premises or any part thereof, or any right or privilege appurtenant thereto, or cause any other person or entity, to occupy or use the Premises, or any portion thereof, without the advance written consent of Lessor which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the above, Lessee may, without the consent of Lessor, assign this Lease or sublet all or any part of the Premises to a bona fide subsidiary or affiliate of Lessee, an entity in which or with which Lessee merges or an entity which acquires all or substantially all of the assets of Lessee ("Excepted Party"). Any such assignment or subletting requiring Lessor's consent made without Lessor's consent shall be void, and shall, at the option of the Lessor, terminate this Lease. This Lease shall not, nor shall any interest therein, be assignable, as to the interest of Lessee, by operation of law, without the written consent of Lessor. Notwithstanding Lessor's obligation to provide reasonable approval, Lessor reserves the right to withhold its consent for any proposed sublessee or assignee of Lessee if the proposed sublessee or assignee is a user or generator of Hazardous Materials, except as specifically provided hereunder. If Lessee desires to assign its rights under this Lease or to sublet all or any part of the Premises to a party other than an Excepted Party, Lessee shall first notify Lessor of the proposed terms and conditions of such assignment or subletting. Lessee and Lessor shall split equally (50/50) the Bonus Rent, as hereafter defined, actually received by the Lessee in connection with any subletting or assignment to a party other than an Excepted Party. As used herein "Bonus Rent" shall mean the consideration received by the Lessee for the subleasing of the sublet premises or the assignment of this Lease, less the amounts that remain payable by the Lessee under this Lease with respect to the affected portions of the Premises, less reasonable broker and attorney costs associated with the transaction, and less the cost that Lessee is required to incur to perform its obligations under such sublease or assignment, including without limitation, any reasonable out of pocket lease assumption costs, free rent, and improvement costs amortized over the term of the sublease or assignment. Notwithstanding the foregoing, or any other contrary provision of this Lease, Lessee shall have the right, without the consent of Lessor, 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 Lessor and shall not be subject to the provisions above regarding Bonus Rent. Whether or not Lessor's consent to a sublease or assignment is required, in the event of any sublease or assignment, Lessee shall be and shall remain primarily liable for the performance of all conditions, covenants,

and obligations of Lessee hereunder and, in the event of a default by an assignee or sublessee, Lessor may proceed directly against the original Lessee hereunder and/or any other predecessor of such assignee or sublessee without the necessity of exhausting remedies against said assignee or sublessee. If Lessee merges or sells substantially all of its assets and the net worth of the resulting entity is substantially less than that of Lessee, such sale shall be a default under this Lease unless approved by Lessor.

21. Condemnation: If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and a part thereof remains which is susceptible of occupation hereunder and is sufficient to allow Lessee to reasonably conduct its business thereon, this Lease shall as to the part so taken, terminate as of the date title vests in the condemnor or purchaser, and the Rent payable hereunder shall be adjusted so that the Lessee shall be required to pay for the remainder of the Lease Term only that portion of Rent as the value of the part remaining. The rental adjustment resulting will be computed at the same Rental rate for the remaining part not taken; however, Lessor or Lessee shall have the option to terminate this Lease as to the portion taken as of the date when title to the part so taken vests in the condemnor or purchaser. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for Lessee to reasonably conduct its business thereon, this Lease shall thereupon terminate. If a part or all of the Premises is taken, except as provided in the final sentence of this paragraph all compensation awarded to Lessor upon such taking shall be payable to the Lessor. To the extent Lessor receives compensation upon such taking and the Lease is not terminated pursuant to the preceding provisions of this paragraph, Lessor shall complete any necessary repairs to the Premises reasonably necessary to allow Lessee to reasonably conduct its business. Nothing herein shall limit Lessee's right to file a separate claim in any such condemnation proceeding and be entitled to any award granted to Lessee.

22. Effects Of Conveyance: The term "Lessor" as used in this Lease, means only the owner for the time being of the land and building constituting the Premises, so that, in the event of any sale of said land or building, or in the event of a Lease of said building, Lessor shall be and hereby is entirely freed and relieved of all covenants and obligations of Lessor hereunder, and it shall be deemed and construed, without further agreement between the parties and the purchaser of any such sale, or the Lessor of the building, that the purchaser or lessor of the building has assumed and agreed to carry out any and all covenants and obligations of the Lessor hereunder. If any security is given by Lessee to secure the faithful performance of all or any of the covenants of this Lease on the part of Lessee, Lessor may transfer and deliver the security, as such, to the purchaser at any such sale of the building, and thereupon the Lessor shall be discharged from any further liability.

23. Subordination: This Lease, in the event Lessor notifies Lessee in writing, shall be subordinate to any ground lease, deed of trust, or other hypothecation for security now or hereafter placed upon the real property at which the Premises are a part and to any and all advances made on the security thereof and to renewals, modifications, replacements and extensions thereof. Lessee agrees to promptly execute any reasonable documents which may be required to effectuate such subordination. Notwithstanding such subordination, if Lessee is not in default and so long as Lessee shall pay the Rent and observe and perform all of the provisions and covenants required under this Lease, Lessee's right to quiet possession of the Premises shall not be disturbed or effected by any subordination.

24. Waiver: The waiver by Lessor or Lessee of any breach of any term, covenant or condition, herein contained shall not be construed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition therein contained. The subsequent acceptance of Rent hereunder by Lessor shall not be deemed to be a waiver of Lessee's breach of any term, covenant, or condition of the Lease.

25. Holding Over: Any holding over after the end of the Lease Term requires Lessor's written approval prior to the end of the Lease Term, which, notwithstanding any other provisions of this Lease, Lessor may withhold. Such holding over shall be construed to be a tenancy at sufferance from month to month. Lessee shall pay to Lessor monthly base rent equal to one and one-half (1.5) times the monthly base rent installment due in the last month of the Lease Term and all other additional rent and all other terms and conditions of the Lease shall apply, so far as applicable. Holding over by Lessee without written approval of Lessor shall subject Lessee to the liabilities and obligations provided for in this Lease and by law, including, but not limited to those in Section 2.1 of this Lease. Lessee shall indemnify and hold Lessor harmless against any loss or liability resulting from any delay caused by Lessee in surrendering the Premises, including without limitation, any claims made or penalties incurred by any succeeding lessee or by Lessor. No holding over shall be deemed or construed to exercise any option to extend or renew this Lease in lieu of full and timely exercise of any such option as required hereunder.

26. Lessor's Liability: If Lessee should recover a money judgment against Lessor arising in connection with this Lease, the judgment shall be satisfied only out of the Lessor's interest in the Premises and neither Lessor nor any of its partners shall be liable personally for any deficiency.

27. Estoppel Certificates: Lessee and Lessor shall at any time during the Lease Term, upon not less than ten (10) days prior written notice from the other party, execute and deliver to the requesting party a statement in writing certifying that, this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification) and the dates to which the Rent and other charges have been paid in advance, if any, and acknowledging that there are not, to the party completing the Estoppel knowledge, any uncured defaults on the part of requesting party hereunder or specifying such defaults if they are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises. Lessee's or Lessor's failure to deliver such a statement within such time shall be conclusive upon the party that fails to deliver such a statement that (a) this Lease is in full force and effect, without modification except as may be represented by the party requesting the statement; and (b) there are no uncured defaults in party's performance that requested the Estoppel.

28. Time: Time is of the essence of the Lease.

29. Captions: The headings on titles to the paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part thereof. This instrument contains all of the agreements and conditions made between the parties hereto and may not be modified orally or in any other manner than by an agreement in writing signed by all of the parties hereto or their respective successors in interest.

30. Party Names: Landlord and Tenant may be used in various places in this Lease as a substitute for Lessor and Lessee respectively.

31. Earthquake (DIC) and Flood Insurance: Lessee agrees that it will pay, as additional Rent, which is included in the estimated CAC, Twenty Two Thousand Seven Hundred Fifty Three and 64/100's Dollars ($22,753.64) per month for earthquake (DIC) and flood insurance. Lessee has the right to directly secure, supervise and pay for the Earthquake (DIC) and Flood Insurance by delivering a written notice to Lessor at least thirty (30) days in advance, and as long as such actions result in comparable coverages being provided. To the extent Lessee elects to have direct control, supervision and payment of the insurance policies referenced in this Section Lessee shall: (i) provide for a certificate of insurance evidencing the insurance required herein, being deposited with Lessor ten (10) days prior to the Commencement Date, and upon each renewal, such certificates shall be provided thirty (30) days prior to the expiration date of such coverage, (ii) be in a form reasonably satisfactory to Lessor and shall provide the coverage required by Lessee in this Lease, (iii) be carried with companies with a Best

Rating of A minimum, (iv) specifically provide that such policies shall not be subject to cancellation, reduction of coverage, or other change except after thirty (30) days prior written notice to Lessor, (v) name Lessor, Lessor's lender, and any other party with an insurable interest in the Premises as additional insureds by endorsement to policy, and (vi) shall be primary.

32. Habitual Default: Notwithstanding anything to the contrary contained in Section 14 herein, Lessor and Lessee agree that if Lessee shall have defaulted in the payment of Rent for two or more times during any twelve month period during the Lease Term, then such conduct shall, at the option of the Lessor, represent a separate event of default which cannot be cured by Lessee. Lessee acknowledges that the purpose of this provision is to prevent repetitive defaults by the Lessee under the Lease, which constitute a hardship to the Lessor and deprive the Lessor of the timely performance by the Lessee hereunder.

33. Hazardous Materials

33.1 Definitions: As used in this Lease, the following terms shall have the following meaning:

a. The term "Hazardous Materials" shall mean (i) polychlorinated biphenyls; (ii) radioactive materials and (iii) any chemical, material or substance now or hereafter defined as or included in the definitions of "hazardous substance" "hazardous water", "hazardous material", "extremely hazardous waste", "restricted hazardous waste" under Section 25115, 25117 or 15122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (iv) defined as "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substances Account Act), (v) defined as "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release, Response, Plans and Inventory), (vi) defined as a "hazardous substance" under Section 25181 of the California Health and Safety Code, Division 20l, Chapter 6.7 (Underground Storage of Hazardous Substances), (vii) petroleum, (viii) asbestos, (ix) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article II of Title 22 of the California Administrative Code, Division 4, Chapter 20, (x) defined as "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq. or listed pursuant to Section 1004 of the Federal Water Pollution Control Act (33 U.S.C. 1317), (xi) defined as a "hazardous waste", pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq., (xii) defined as "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Responsibility Compensations, and Liability Act, 42 U.S.C. 9601 et seq., or (xiii) regulated under the Toxic Substances Control Act, 156 U.S.C. 2601 et seq.

b. The term "Hazardous Materials Laws" shall mean any local, state and federal laws, rules, regulations, or ordinances relating to the use, generation, transportation, analysis, manufacture, installation, release, discharge, storage or disposal of Hazardous Material.

c. The term "Lessor's Agents" shall mean Lessor's agents, representatives, employees, contractors, subcontractors, directors, officers and partners.

d. The term "Lessee's Agents" shall mean Lessee's agents, representatives, employees, contractors, subcontractors, directors, officers, partners, invitees, or with Lessee's knowledge, control or consent any other person in or about the Premises.

33.2 Lessee's Right to Investigate: Lessee shall be entitled to cause such inspection, soils and ground water tests, and other evaluations to be made of the Premises as Lessee deems necessary regarding (i) the presence and use of Hazardous

Materials in or about the Premises, and (ii) the potential for exposure to Lessee's employees and other persons to any Hazardous Materials used and stored by previous occupants in or about the Premises. Lessee shall provide Lessor with copies of all inspections, tests and evaluations. Lessee shall indemnify, defend and hold Lessor harmless from any cost, claim or expense arising from such entry by Lessee or from the performance of any such investigation by such Lessee other than such as may arise from the mere discovery of an existing condition.

33.3 Lessor's Representations: Lessor hereby represents and warrants to the best of Lessor's knowledge that the Premises are, as of the date of this Lease, in compliance with all Hazardous Material Laws and Lessor has not received any written notification of the existence of any violation of Hazardous Materials Laws in or about the Premises.

33.4 Lessee's Obligation to Indemnify: Lessee, at its sole cost and expense, shall indemnify, defend, protect and hold Lessor and Lessor's Agents harmless from and against any and all cost or expenses, including those described under subparagraphs i, ii and iii herein below set forth, arising from or caused in whole or in part, directly or indirectly by:

a. Lessee's or Lessee's Agents' use, analysis, storage, transportation, disposal, release, threatened release, discharge or generation of Hazardous Material to, in, on, under, about or from the Premises other than in accordance with Hazardous Materials Laws; or

b. Lessee's or Lessee's Agents failure to comply with Hazardous Material laws; or

c. Any release of Hazardous Material to, in, on, under, about, from or onto the Premises caused by or occurring as a result of acts or omissions of Lessee or Lessee's Agents or occurring during the Lease Term, except ground water contamination from other parcels where the source is from off the Premises not arising from or caused by Lessee or Lessee's Agents.

The cost and expenses indemnified against include, but are not limited to the following:

i. Any and all claims, actions, suits, proceedings, losses, damages, liabilities, deficiencies, forfeitures, penalties, fines, punitive damages (resulting from the acts or omissions of Lessee or Lessee's Agents), cost or expenses;

ii. Any claim, action, suit or proceeding for personal injury (including sickness, disease, or death), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resources of the environment, nuisance, pollution, contamination, leaks, spills, release or other adverse effects on the environment;

iii. The cost of any repair, clean-up, treatment or detoxification of the Premises necessary to bring the Premises into compliance with all Hazardous Material Laws, including the preparation and implementation of any closure, disposal, remedial action, or other actions with regard to the Premises, and expenses (including, without limitation, reasonable attorney's fees and consultants fees, investigation and laboratory fees, court cost and litigation expenses).

33.5 Lessee's Obligation to Remediate Contamination: Lessee shall, at its sole cost and expense, promptly take any and all action necessary to remediate contamination of the Premises by Hazardous Materials during the Lease Term that is caused by the acts or omissions of Lessee or Lessee's Agents.

33.6 Obligation to Notify: Lessor and Lessee shall each give written notice to the other as soon as reasonably practical of (i) any communication received from any governmental authority concerning Hazardous Material which related to the Premises and (ii) any contamination of the Premises by Hazardous Materials which constitutes a violation of any Hazardous Material Laws.

33.7 Survival: The obligations of Lessee under this Section 33 shall survive the Lease Term or earlier termination of this Lease.

33.8 Certification and Closure: On or before the end of the Lease Term or earlier termination of this Lease, Lessee shall deliver to Lessor a certification executed by Lessee stating that, to the best of Lessee's knowledge, there exists no violation of Hazardous Material Laws resulting from Lessee's obligation in Paragraph 33. If pursuant to local ordinance, state or federal law, Lessee is required, at the expiration of the Lease Term, to submit a closure plan for the Premises to a local, state or federal agency, then Lessee shall comply at its sole cost and expense with the requirements of the closure plan and furnish to Lessor a copy of such plan.

33.9 Prior Hazardous Materials: Lessee shall have no obligation to clean up or to hold Lessor harmless with respect to any Hazardous Material or wastes discovered on the Premises, except as a result of Environmental Surcharges, which were not introduced into, in, on, about, from or under the Premises during the Lease Term or ground water contamination from other parcels where the source is from off the Premises not arising from or caused by Lessee or Lessee's Agents, and Lessee shall not be liable for such costs and expenses.

34. Brokers: Lessor and Lessee represent that they have not utilized or contacted a real estate broker or finder with respect to this Lease other than Liberty Greenfield/California Inc. ("LGCI") and Lessee agrees to indemnify and hold Lessor harmless against any claim, cost, liability or cause of action asserted by any broker or finder claiming through Lessee other than LGCI. Lessor shall at its sole cost and expense pay the brokerage commission per Lessor's standard commission schedule and terms and upon occupancy of the Premises by Lessee in accordance with Exhibit F. Lessor represents and warrants that it has not utilized or contacted a real estate broker or finder with respect to this Lease other than LGCI and Lessor agrees to indemnify and hold Lessee harmless against any claim, cost, liability or cause of action asserted by any broker or finder claiming through Lessor.

35. Option to Extend

A. <u>Option:</u> Lessor hereby grants to Lessee three (3) separate and sequential options to extend the Lease Term, with each extended term to be for a period of sixty (60) months, on the following terms and conditions:

(i) Lessee shall give Lessor written notice of its exercise of its option to extend no earlier than twelve (12), nor later than six (6) calendar months before the Lease Term would end but for said exercise. Once Lessee delivers a notice of exercise of an option to extend the Lease Term it may not be withdrawn and such notice shall operate to extend the Lease Term. Upon any extension of the Lease Term pursuant to this Section 35, the term "Lease Term" as used in this Lease shall thereafter include the then extended term. Time is of the essence.

(ii) Lessee may not extend the Lease Term pursuant to any option granted by this Section 35 if Lessee is in default as of the date of the exercise of its option. If Lessee has committed a default by Lessee as defined in Section 14 or 32 that has not been cured or waived by Lessor in writing by the date that any extended term is to commence, then Lessor may elect not to allow the Lease Term to be extended, notwithstanding any notice given by Lessee of an exercise of this option to extend.

(iii) All terms and conditions of this Lease shall apply during the extended term, except that the base rent and rental increases for each extended term shall be determined as provided in Section 35 (B) below

(iv) The option rights of Equinix Operating Co., Inc., granted under this Section 35 are granted for Equinix Operating Co, Inc., personal benefit and may not be assigned or transferred by Equinix Operating Co, Inc., other than to an Excepted Party, or exercised if Equinix Operating Co., Inc., or an Excepted Party, is not occupying the Premises at the time of exercise.

B. <u>Extended Term Rent - Option Period:</u> The monthly Rent for the Premises during the extended term shall be as described on Exhibit G:

36. Approvals: Whenever in this Lease the Lessor's or Lessee's consent is required, such consent shall not be unreasonably or arbitrarily withheld or delayed. In the event that the Lessor or Lessee does not respond to a request for any consents which may be required of it in this Lease within ten business days of the request of such consent in writing by the Lessee or Lessor, such consent shall be deemed to have been given by the Lessor or Lessee.

37. Authority: Each party executing this Lease represents and warrants that he or she is duly authorized to execute and deliver the Lease. If executed on behalf of a corporation, that the Lease is executed in accordance with the by-laws of said corporation (or a partnership that the Lease is executed in accordance with the partnership agreement of such partnership), that no other party's approval or consent to such execution and delivery is required, and that the Lease is binding upon said individual, corporation (or partnership) as the case may be in accordance with its terms.

38. Indemnification of Lessor: Except to the extent caused by (i) a breach of this Lease by Lessor beyond any applicable notice and cure period as provided herein; or (ii) the sole negligence or willful misconduct of Lessor or Lessor's Agents, Lessee shall defend, indemnify and hold Lessor harmless from and against any and all obligations, losses, costs, expenses, claims, demands, attorney's fees, investigation costs or liabilities on account of, or arising out of the use, condition or occupancy of the Premises or any act or omission to act of Lessee or Lessee's Agents or any occurrence in, upon, about or at the Premises, including, without limitation, any of the foregoing provisions arising out of the use, generation, manufacture, installation, release, discharge, storage, or disposal of Hazardous Materials by Lessee or Lessee's Agents. It is understood that Lessee is and shall be in control and possession of the Premises and that Lessor shall in no event be responsible or liable for any injury or damage or injury to any person whatsoever, happening on, in, about, or in connection with the Premises, or for any injury or damage to the Premises or any part thereof unless caused by (i) a breach of this Lease by Lessor beyond any applicable notice and cure period as provided herein; or (ii) the sole negligence or willful misconduct of Lessor or Lessor's Agents. This Lease is entered into on the express condition that Lessor shall not be liable for, or suffer loss by reason of injury to person or property, from whatever cause, which in any way may be connected with the use, condition or occupancy of the Premises or personal property located herein unless caused by (i) a breach of this Lease by Lessor beyond any applicable notice and cure period as provided herein; or (ii) the sole negligence or willful misconduct of Lessor or Lessor's Agents. The provisions of this Lease permitting Lessor to enter and inspect the Premises are for the purpose of enabling Lessor to become informed as to whether Lessee is complying with the terms of this Lease and Lessor shall be under no duty to enter, inspect or to perform any of Lessee's covenants set forth in this Lease. Lessee shall further indemnify, defend and hold harmless Lessor from and against any and all claims arising from any breach or default in the performance of any obligation to Lessee's part to be performed under the terms of this Lease. The provisions of Section 38 shall survive the Lease Term or earlier termination of this Lease with respect to any third party claims, damage, injury or death occurring during the Lease Term.

39. Successors And Assigns: The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all of the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

40. Miscellaneous Provisions: All rights and remedies hereunder are cumulative and not alternative to the extent permitted by law and are in addition to all other rights or remedies in law and in equity.

41. Choice of Law: This lease shall be construed and enforced in accordance with the substantive laws of the State of California. The language of all parts of this lease shall in all cases be construed as a whole according to its fair meaning and not strictly for or against either Lessor or Lessee.

42. Entire Agreement: This Lease is the entire agreement between the parties, and there are no agreements or representations between the parties except as expressed herein. Except as otherwise provided for herein, no subsequent change or addition to this Lease shall be binding unless in writing and signed by the parties hereto.

In Witness Whereof, Lessor and Lessee have executed this Lease, the day and year first above written.

Lessor **Mission West Properties, L.P.** **By: Mission West Properties, Inc., its general partner**	**Lessee** **Equinix Operating Co., Inc.**
By: /s/ R. V. Marino	By: /s/ RENEE F. LANAM
Signature of authorized representative	Signature of authorized representative
Title President and COO	Title CHIEF FINANCIAL OFFICER
June 9, 2005	June 8, 2005
Date	Date

Guarantee of Lease

This Guarantee of Lease ("Guarantee") is given by Equinix, Inc. ("Equinix"), a Delaware corporation in accordance with the following terms and conditions.

WHEREAS, a certain Lease ("Lease") by and between Mission West Properties L.P., a Delaware limited partnership ("Lessor") and, Equinix Operating Co., Inc., a Delaware corporation ("Lessee") and a subsidiary of Equinix, covering the premises at 255 Caspian Drive, in the City of Sunnyvale, County of Santa Clara, State of California, will be executed concurrently herewith and is incorporated herein by this reference; and

WHEREAS, Lessor requires as a condition to Lessor's execution of the Lease that Equinix guarantee the full performance of the obligations of Lessee under the Lease; and

WHEREAS, Equinix desires that Lessor enter into the Lease with Lessee.

NOW THEREFORE, in consideration of the execution of the Lease by Lessor, Equinix hereby unconditionally guarantees the full performance of each an every term, covenant, and condition of the Lease to be kept and performed by Lessee, including the payment of all rent and other sums required to be paid by Lessee thereunder.

Equinix further agrees as follows:

1. This Guarantee and Equinix's obligations hereunder shall continue in favor of Lessor notwithstanding any extension, modification, amendment, alteration or assignment of the Lease. No extension, modification, amendment, alteration, or assignment of the Lease shall in any manner release or discharge Equinix. The obligations of Equinix hereunder shall in no way be terminated, affected or impaired by reason of the failure of Lessor to enforce any of the terms, covenants or conditions of the Lease or this Guarantee, or by reason of Lessor's granting of any indulgence or extension of time to Lessee, all of which may be done without notice to Equinix

2. This Guarantee shall continue unchanged by any bankruptcy, reorganization, arrangement, assignment for the benefit of creditors or insolvency of Lessee, or by any disaffirmance or abandonment of the Lease by a trustee or other successor in bankruptcy of Lessee.

3. Lessor may, without notice to Equinix, assign this Guarantee, in whole or in part. No assignment or transfer of the Lease or this Guarantee by Lessor shall affect, or otherwise extinguish or diminish, the liability of Equinix hereunder.

4. The liability of Equinix under this Guarantee shall be primary. If any cause of action or remedy occurs to Lessor under the Lease or this Guarantee, Lessor may proceed directly against Equinix without first having taken any actions or pursued any remedy, against Lessee. Equinix expressly waives any rights which it may otherwise have to require Lessor to proceed against Lessee or Lessee's property pursuant to the provisions of Sections 2845 and 2850 of the California Civil Code ("Code").

5. Equinix shall pay all reasonable attorneys' fees, costs and expenses incurred by Lessor in enforcing this Guarantee; provided, however, that if any such action is settled or prosecuted to judgment in Equinix's favor, then Equinix shall be entitled to payment from Lessor of all reasonable attorney's fees and costs and expenses incurred by Equinix, in connection with such action.

6. Equinix expressly waives its rights to be exonerated hereunder pursuant to the provisions of Sections 2819 and 2945 of the Code or pursuant to any other statute of rule of law or similar import.

7. The terms and provisions of the Guarantee shall be binding upon and inure to the benefit of the respective successors and assigns of the parties herein named. For the purposes of the Guarantee, the term "Lessor" shall include all successors and assigns of Lessor, and the term Equinix shall include all successors and assigns of Equinix

8. Equinix hereby represents that Lessee is a wholly-owned subsidiary of Equinix, and that Lessee is validly formed and legally existing.

9. The individual executing this Guarantee on behalf of Equinix represents and warrants that he or she is duly authorized to execute and deliver this Guarantee on behalf of Equinix in accordance with the bylaws of Equinix, that no other party's approval or consent to such execution and delivery is required, and that the Guarantee is binding upon Equinix in accordance with its terms.

10. This Guarantee shall be construed and enforced in accordance with the substantive laws of the State of California. The language of all parts of this Guarantee shall in all cases be construed as a whole according to its fair meaning and not strictly for or against either Equinix or Lessor.

11. This Guarantee shall be valid until Lessee has performed all its obligations under the Lease and any extensions thereof. Equinix shall not be obligated for any claims for payment not first made within one (1) year of the expiration of the Lease Term (including any options that are exercised to extend the Lease Term). Notwithstanding the above, no time limitation shall apply to Equinix's obligations under this Guarantee for any claim made by a third party and any obligations of Lessee under Section 33 of the Lease that occurred during the Lease Term.

IN WITNESS WHEREOF, Equinix has caused the Guarantee to be executed on June 8, 2005.

Equinix, Inc., a Delaware corporation

By: /s/ RENEE F. LANAM

Title: Chief Financial Officer

EXHIBIT 10.118

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

AGREEMENT OF SUBLEASE

THIS AGREEMENT OF SUBLEASE (this "Sublease") is made as of the 13th day of July, 2005 between VERIO INC., a Delaware corporation ("Sublandlord"), and EQUINIX OPERATING CO., INC. a Delaware corporation ("Subtenant").

BACKGROUND

A. Sublandlord and Subtenant have entered into that certain asset purchase agreement of even date herewith pursuant to which Subtenant agreed to purchase and assume and Sublandlord agreed to sell and assign certain data center facility improvements located at the "Demised Premises" (as defined below) (the "Asset Purchase Agreement").

B. Sublandlord has entered into that certain lease agreement with CARLYLE-CORE CHICAGO LLC, a Delaware corporation ("Carlyle-Core"), dated February 6, 2000 as amended on January 1, 2002 and as of even date herewith (the "Master Lease"), pursuant to which Sublandlord has certain rights (i) to use and occupy certain space located within a building located at 350 East Cermak Road, Chicago, Illinois, 60616 (the "Property"), such space consisting of the Premises described in Section 1(c) of the Master Lease (the "Premises"), and (ii) in connection with Sublandlord's lease of the Premises, to use certain equipment space (the "Equipment Space") located at the Property, as described in Section 1(d) of the Master Lease (the Premises and the Equipment Space hereinafter collectively referred to as the "Demised Premises"). Digital Lakeside, LLC, a Delaware limited liability company ("Master Landlord") has acquired the interest of Carlyle-Core in the Property and in the Lease. A true and correct copy of the Master Lease is attached hereto as Exhibit A and is hereby made a part hereof. All capitalized terms used in this Sublease which are not otherwise defined shall have the meaning ascribed thereto in the Master Lease.

C. Subtenant desires to sublease from Sublandlord, on the terms and conditions hereinafter set forth and subject in all respects to the Master Lease, the entirety of the Demised Premises. The Demised Premises is depicted on Exhibit B attached hereto.

AGREEMENT

NOW, THEREFORE, in consideration of the rents herein reserved and the covenants hereinafter expressed, and intending to be legally bound, Sublandlord and Subtenant agree as follows:

1. Term.

(a) Sublease Grant and Term. Sublandlord hereby demises and sublets to Subtenant, who hereby subleases and takes from Sublandlord, the Demised Premises together with: (i) the Sublandlord's rights under Sections 5(c) 16(b) and 17 of the Master Lease; (ii) Sublandlord's rights to use the Equipment Space in accordance with Section 6 of the Master

Lease; (iii) the benefit of Sublandlord's rights under the following Sections of the Master Lease, 7 (Services), 9(b) (Landlord's Maintenance Obligations) and 10 (notice prior to entry by Landlord); (iv) the non-exclusive right to use certain portions of the Property defined as "Common Areas" in the Master Lease; and (v) Sublandlord's parking rights under Section 31 of the Sublease provided that Subtenant shall be responsible for all costs associated therewith during the Term from and after the Possession Date (as defined below) and no other rights unless specifically provided for in this Sublease (and specifically consented to by Master Landlord in the Master Landlord Consent, as defined in the Asset Purchase Agreement) for the Term (as defined below). The "Term" shall mean that period beginning on the Lease Effective Date, as defined in Subparagraph 1(b), and ending on the "Expiration Date" (as defined in the Master Lease), unless sooner terminated in accordance with the terms of this Sublease. In the event of any earlier termination of the Master Lease, then the Term of this Sublease shall terminate concurrently therewith. Notwithstanding anything herein to the contrary, in no event shall the Term of this Sublease (including any permitted extensions or renewals thereof) extend beyond the term of the Master Lease.

(b) The effective date of this Lease (the "Lease Effective Date") shall be the date on which (i) the Effective Date shall have occurred as defined in and pursuant to the terms of the Asset Purchase Agreement and (ii) Subtenant shall have paid the Earnest Money as defined in and pursuant to the terms of the Asset Purchase Agreement.

(c) Lease Year. The term "Lease Year" shall mean a period of twelve (12) consecutive full calendar months during the Term commencing on the Lease Effective Date or any anniversary thereof; provided, however, that if the Lease Effective Date is a day other than the first day of a calendar month, the first Lease Year shall include the resulting fractional month and shall extend through the end of the twelfth (12th) full calendar month following the Lease Effective Date.

2. Rent. As consideration for this Sublease, Subtenant shall pay to Sublandlord commencing November 1, 2005 (the "Rent Commencement Date") and continuing for the Term hereof, without any offset or deduction, annual rent ("Rent"), in an amount equal to: (a) with respect to the first Rental Year (as defined below), **[*]**; (b) with respect to each Rental Year thereafter, the sum of (i) the annual Rent rate for the first Rental Year and (ii) the applicable Annual Rent Escalator. The "Annual Rent Escalator" for any given Rental Year is the product of (x) **[*]** multiplied by the number of Rental Years preceding such Rental Year. By way of example: in Rental Year 2 the Annual Rent shall be the annual Rent rate for Rental Year 1 (i.e., **[*]**) plus **[*]**; in Rental Year 3 the Annual Rent shall be the annual Rent rate for Rental Year 1 (i.e.,**[*]**) plus **[*]**. The term "Rental Year" shall mean a period of twelve (12) consecutive full calendar months during the Term commencing on the Rent Commencement Date or any anniversary thereof; provided, however, that if the Rent Commencement Date is a day other than the first day of a calendar month, the first Rental Year shall include the resulting fractional month and shall extend through the end of the twelfth (12th) full calendar month following the Rent Commencement Date.

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

Rent shall be payable in equal monthly installments in advance on the first day of each and every calendar month during the Term, without setoff, deduction, notice or demand; provided, however, that the first Rent payment shall be due no later than five business days prior to the Rent Commencement Date.

3. Possession Date. Notwithstanding the fact that the Term begins on the Lease Effective Date, Sublandlord shall not deliver and Subtenant shall not take possession of the Premises prior to the Rent Commencement Date, unless Subtenant elects to accept possession of the Demised Premises prior to the Rent Commencement Date by written notice to Sublandlord (the earlier of November 1, 2005 and such date of possession is hereinafter referred to as the "Possession Date"). Following the Lease Effective Date and prior to the Possession Date, upon not less than seventy two (72) hour telephonic notice, Sublandlord shall allow Subtenant reasonable and escorted access to the Demised Premises during normal business hours solely for the purpose of completing any further investigations, inspections, measurements, planning, testing or evaluations; provided that such access shall be subject to Subtenant's delivery of all insurance certificates required with respect to Subtenant's due diligence as Buyer under the Asset Purchase Agreement. In addition, Subtenant agrees to indemnify, defend and hold Sublandlord harmless from and against any and all claims for injury to persons or damage to property caused by Subtenant or its representatives while on-site at the Demised Premises.

4. Late Charges and Interest. If any monthly installment of Rent or any other payment to be made by Subtenant to Sublandlord hereunder is not paid when due such amounts shall be subject to (i) interest from the date due until paid at the rate as provided under Section 20(b) of the Master Lease, and (ii) if applicable, any administration fees payable under Section 4(a) of the Master Lease.

5. Use. Subtenant shall not use the Demised Premises for any purpose other than for the 'Permitted Use" (as defined in the Master Lease).

6. Sublandlord's Work. Subtenant acknowledges and agrees that Sublandlord is delivering the Demised Premises to Subtenant in "AS IS" condition, without representation or warranty whatsoever and without any obligation of Sublandlord to perform any alterations or improvements to the Demised Premises.

7. Subtenant's Alterations. Subtenant shall not cause or permit the Demised Premises to be altered or improved in any way during the Term except as specifically provided for in connection with "Leasehold Improvements" as defined and provided for in the Master Lease and without first obtaining the prior written consent of both Master Landlord and Sublandlord to such alterations or improvements (if such consent is required of Master Landlord under the Master Lease) and (if required under the Master Lease) the contractors conducting the same, which consent(s): (a) shall in all cases be subject to the terms and conditions of the Master Lease; and (b) with respect to Sublandlord's consent(s), shall not be unreasonably withheld, conditioned or delayed to the extent that such Leasehold Improvements do not materially interfere with the use of the Demised Premises for the Permitted Use. If Sublandlord shall fail to respond within five (5) business day after receipt of request by Subtenant for Sublandlord's consent to a proposed alteration in accordance with the terms of this Sublease then Sublandlord shall be deemed to have give its consent with respect to such request. In connection with

Sublandlord's approval of any alteration or improvement to the Demised Premises, Sublandlord may request such plans and specifications for such alterations or improvements as Sublandlord may require including, without limitation, any such plans and specifications required by Master Landlord for its approval. Any and all work performed by or on behalf of Subtenant in the Demised Premises shall be in accordance with the terms of the Master Lease and in accordance with all applicable laws, including, without limitation, the Americans with Disabilities Act of 1990, as amended. The removal obligations with respect to any alterations or improvements made by Subtenant shall be governed by Section 17 of this Sublease.

8. Maintenance and Repair.

(a) Subtenant shall at Subtenant's sole cost and expense, maintain, repair, and replace all portions of the Demised Premises as the same are to be maintained, repaired and replaced by Sublandlord as "tenant" under the Master Lease; provided, however, that, at Sublandlord's option, if Subtenant fails to make such repairs within a reasonable time after written request by Sublandlord, Sublandlord may, but need not, make such repairs and replacements, and Subtenant shall pay Sublandlord the cost thereof upon being billed for the same.

(b) Sublandlord shall, have no obligation to maintain and repair the Demised Premises pursuant to this Sublease; however, Sublandlord shall, upon written notice of Subtenant, take all reasonable steps, subject and pursuant to Section 22(c), to compel Master Landlord to comply with Master Landlord's maintenance obligations under the Master Lease.

9. Utilities. From and after the earlier of the Rent Commencement Date and the Possession Date, Subtenant shall, at Subtenant's sole cost and expense, and in addition to Subtenant's payment of Rent, cause all utilities used by Subtenant on the Demised Premises to be separately metered (where possible) and shall pay the cost of the consumption of the same directly to the utility providers. If, at any time, it is no longer feasible for Subtenant to contract directly with the utility provider for any such services, Subtenant shall reimburse the costs of such services as provided for under Section 7(b) of the Master Lease or otherwise. Such reimbursement shall be effectuated, at Sublandlord's election, either (i) directly to Master Landlord or (ii) to Sublandlord, provided that, in either case such reimbursement shall be made in accordance with the terms and conditions of the Master Lease. Sublandlord shall not be liable in damages or otherwise for any failure or interruption of (a) any utility service furnished to the Demised Premises, or (b) the heating, ventilating and air conditioning system, if any. No such failure or interruption shall entitle Subtenant to terminate this Sublease or to abate or offset Rent or other charges.

10. Assignment and Subletting. Subtenant shall not voluntarily or by operation of law assign, sublet, mortgage, encumber, license or transfer this Sublease or any interest therein, or any right or privilege appurtenant thereto, or permit any person to occupy or use the Demised Premises or any portion thereof except as specifically provided for in the Master Lease (including any requirement of Master Landlord's consent). Any such transaction entered into by Subtenant in violation of this Sublease and any instrument evidencing same shall be void and of no effect, and shall, at the option of Sublandlord and without prejudice to Sublandlord's other rights and remedies hereunder or at law or in equity, permit Sublandlord to terminate this Sublease.

11. Hazardous Materials. Subtenant shall comply and shall cause its agents, employees, contractors, invitees and licensees to comply with all requirements related to the use and disclosure of "Hazardous Materials" (as defined in the Master Lease) under the Master Lease, including, without limitation, the obligation to execute and deliver to each of Master Landlord and Sublandlord on the 10th day of March for each year of the Term a "HazMat Certificate" (as defined in the Master Lease) and hereby indemnifies and holds Sublandlord harmless from any violation hereof. In addition to Subtenant's obligations as set forth in this Section 11, Subtenant shall protect, indemnify and defend Sublandlord and Master Landlord to the extent required of Sublandlord as "tenant" under the Master Lease with respect to claims related to Hazardous Materials and arising from and after the Lease Effective Date (except to the extent caused by Sublandlord). Sublandlord hereby represents and warrants that, to the best of Sublandlord's knowledge after due inquiry, the information on the Sublandlord's Initial HazMat Certificate (a copy of which is attached hereto as Exhibit C) is accurate as of the date hereof.

12. Insurance. During the Term of this Sublease, Subtenant shall maintain such insurances on the Demised Premises, in such kinds and amounts as are required of the Sublandlord as "tenant" under the Master Lease and shall comply with all Master Lease provisions regarding insurance. All commercial general liability insurance policies shall name Subtenant as a "named insured" and Sublandlord together with any parties required to be named as additional insureds under the Master Lease as "additional insureds".

13. Indemnification.

(a) Subtenant's Indemnification and Waiver of Claims against Sublandlord. Subtenant agrees to indemnify and save harmless Sublandlord against and from any and all claims by or on behalf of any person or persons, firm or firms, corporation or corporations, arising from Subtenant's use of the Demised Premises or the conduct of its business or from any activity, work, or thing done, permitted or suffered by Subtenant in or about the Demised Premises, and will further indemnify and save Sublandlord harmless against and from any and all claims arising from any breach or default on Subtenant's part in the performance of any covenant or agreement on Subtenant's part to be performed pursuant to the terms of this Sublease (including, without limitation, any claims by Master Landlord with respect to expenses and storage charges incurred by Master Landlord pursuant to Section 30 of the Master Lease), or arising from any act or negligence of Subtenant, or any of its agents, contractors, servants, employees or licensees, and from and against all costs, expenses and liabilities, including reasonable counsel fees, incurred in connection with any such claim or action or proceeding brought thereon; and in case any action or proceeding be brought against Sublandlord by reason of any such claim, Subtenant upon notice from Sublandlord covenants to resist or defend at Subtenant's expense such action or proceeding by counsel reasonably satisfactory to Sublandlord. Subtenant hereby assumes all risk of loss of or damage to property in, upon or about the Demised Premises from theft or patent or latent defect in the Demised Premises or otherwise (which shall include, without limitation, any injury or damage to persons or property resulting from flood, fire, explosion, falling plaster, steam, gas, electricity, electrical disturbance, water, rain, snow, leaks from any part of the Demised Premises or from the pipes or appliances),

and Subtenant hereby waives all claims in respect thereof against Sublandlord except claims based solely on the gross negligence of Sublandlord or its agents, servants or employees, as applicable, and agrees to defend and save Sublandlord harmless from and against any such claims by others.

(b) Subtenant's Indemnification and Waiver of Claims against Master Landlord. Subtenant shall indemnify Master Landlord and waive those claims and losses against Master Landlord on the terms and conditions for indemnification of and waiver of claims against Master Landlord by Sublandlord as "tenant" under the Master Lease.

14. Waiver of Subrogation. In addition to the waiver provisions of Section 13 above, Sublandlord and Subtenant each waive, and shall cause their respective insurance carries to waive, any and all rights of recovery, claim, action or causes of action against the other and their respective trustees, principals, beneficiaries, partners, officers, directors, agents and employees, from any and all claims and liability arising from or caused by any casualty or hazard covered or required under this Sublease to be covered in whole or in part by insurance on the Demised Premises or in connection with property on or activities conducted on the Demised Premises to the extent of the limits of any such insurance, and waive any right of subrogation which might otherwise exist in or accrue to any person on account thereof.

15. Sublandlord's Covenants. Sublandlord hereby makes the following covenants:

(a) Subtenant shall and may peacefully have, hold and enjoy the Demised Premises, subject to the terms of this Sublease and the Master Lease; provided, that, Subtenant pays the Rent and fully performs all of its covenants and agreements or cures any failure to do so under any applicable cure period.

(b) Sublandlord shall pay the "Rent" (as defined in the Master Lease) except to the extent that any portion of "Additional Rent" (as defined in the Master Lease) has been assumed by Subtenant pursuant to this Sublease.

16. Signage; Exterior Displays. Subtenant shall have the same rights to signage as afforded to Sublandlord as "tenant" under Section 33(k) of the Master Lease.

17. Surrender of Demised Premises. Upon the expiration or earlier termination of this Sublease, Subtenant shall peaceably surrender the Demised Premises in accordance with the terms of the Master Lease.

18. Holding Over. Subtenant shall not remain in possession of the Demised Premises after the expiration or earlier termination of the Term without the express written consent of Sublandlord. Should Subtenant hold over without the express written consent of Sublandlord, such tenancy shall be at the sufferance of Sublandlord and not a renewal of the Term and in such case, Rent and all other charges due pursuant to this Sublease shall be payable on a per month basis (without reduction for partial months during the holdover period) at one hundred and fifty (150) percent of the amount payable during the last Lease Year of the Term and such tenancy at sufferance shall be subject to every other term, covenant and provision of this Sublease. In the event Subtenant holds over, Subtenant shall be liable for all of Sublandlord's actual damages including, without limitation, costs and liabilities owed to Master Landlord, which shall include,

without limitation, costs, fees, expenses, damages and attorneys' fees incurred by Sublandlord as a result of Subtenant's holding over, and damages and expenses incurred by Sublandlord for its inability to deliver possession of the Demised Premises to a new subtenant or to Master Landlord.

19. Default by Subtenant. The occurrence of any one or more of the following events (in this Section 19 sometimes called an 'Event of Default") shall constitute a default and breach of this Sublease by Subtenant:

(a) If Subtenant fails to pay Rent or any other amount when due and payable, and such failure continues for a period of three (3) business days after written notice thereof is given by Sublandlord to Subtenant; provided, that, Sublandlord shall be required to deliver such notice only two (2) times in any twelve (12) month period, and any subsequent failure to pay any Rent when due in any such twelve (12) month period shall constitute an Event of Default, without the necessity of written notice from Sublandlord or a three (3) business day grace period.

(b) If Subtenant fails to perform any of Subtenant's nonmonetary obligations under this Sublease for a period of fifteen (15) business days after written notice thereof is given by Sublandlord to Subtenant; provided, however, that if such failure is of the nature that it cannot reasonably be cured within such fifteen-business day period, then Subtenant shall have such additional time as is reasonably necessary to cure such failure as long as; (i) Subtenant commences to cure such failure within such fifteen-business day period and thereafter diligently pursues such cure to completion, and (ii) such additional cure period does not result in a default under the Master Lease.

(c) If: (i) Subtenant makes a general assignment or general arrangement for the benefit of creditors; (ii) a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Subtenant; (iii) a trustee or receiver is appointed to take possession of substantially all of Subtenant's assets located at the Demised Premises or of Subtenant's interest in this Sublease; or (iv) substantially all of Subtenant's assets located at the Demised Premises or of Subtenant's interest in this Sublease is subjected to attachment, execution or other judicial or non-judicial seizure. Notwithstanding the forgoing, none of items (ii), (iii) or (iv) above shall, to the extent initiated without the cooperation of Subtenant, constitute an Event of Default if the same are removed to the satisfaction of Sublandlord on or before sixty (60) days after such filing, appointment, attachment or seizure.

(d) If Subtenant fails to comply with any of the terms and provisions of the Master Lease assumed pursuant to this Sublease or causes or permits any default under the Master Lease beyond the applicable grace period.

(e) If Subtenant fails to comply with any of its obligations or permits any default under the Asset Purchase Agreement.

(f) If the leasehold estate created by this Sublease or the Master Lease is taken by process or operation of any applicable statues, codes, ordinances, orders, rules and regulations of any municipal governmental entity.

20. Sublandlord's Remedies. Upon the occurrence of an Event of Default by Subtenant, and at any time thereafter, with or without notice or demand and without limiting Sublandlord in the exercise of any other right or remedy which Sublandlord may have, Sublandlord shall be entitled to exercise the following rights and remedies:

(a) Sublandlord may terminate Subtenant's right to possession of the Demised Premises by any lawful means (in which case this Sublease shall not terminate unless Sublandlord gives written notice to Subtenant of its intention to terminate this Sublease), in which event Subtenant shall immediately surrender possession of the Demised Premises to Sublandlord.

(b) At any time after an Event of Default, whether or not Sublandlord shall have terminated this Sublease, Sublandlord shall be entitled to recover from Subtenant, and Subtenant shall pay to Sublandlord, on demand, for damages for Subtenant's default, an amount equal to the then present worth (using the then current "Prime Rate" as defined in the Master Lease as the annual discount rate for computing such present worth) of (i) the aggregate of the Rent and any other charges to be paid by Subtenant hereunder for the unexpired portion of the Term (assuming this Sublease had not been terminated), less (ii) the fair market rental value of the Demised Premises during such period, together with all other damages suffered by Sublandlord, which shall include, without limitation, all costs of associated with the reletting of the Demised Premises and reasonable attorneys' fees. Nothing herein contained shall limit or prejudice the right of Sublandlord to prove and obtain, as damages, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount is greater than, equal to or less than the amount referred to above.

(c) All rights, options and remedies of Sublandlord contained in this Sublease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Sublandlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law whether or not stated in this Sublease.

21. Default by Sublandlord; Subtenant's Remedies. In the event of any alleged breach by Sublandlord of its covenants contained in this Sublease, Subtenant shall have available all rights and remedies provided at law or in equity, subject to the terms and conditions of this Sublease; provided, however, Subtenant may not exercise any such right or remedy unless Subtenant has notified Sublandlord by written notice of such alleged default, and Sublandlord has not cured such default within the thirty (30) day period subsequent to receipt of such notice or, in the event such alleged default is of such a nature that it cannot reasonably be cured within such thirty day period, Sublandlord has failed to cure such alleged default with all due diligence. Notwithstanding anything to the contrary contained in this Sublease, in no event shall Subtenant be entitled to terminate this Sublease or to abate or offset Rent or any other payments to be made by Subtenant hereunder; provided, however, that solely with respect to a monetary default by Sublandlord under the Master Lease, Subtenant may offset Rent payable under this Sublease to the extent Subtenant pays such offset sums directly to Master Landlord on behalf and on account of Sublandlord.

22. Terms of Master Lease Incorporated. This Sublease is subject and subordinate to all of the terms and conditions of the Master Lease, all of which are hereby incorporated herein by reference and made a part hereof, and:

(a) Subtenant does hereby assume and agree to be bound by the terms and conditions of the Master Lease, and Subtenant shall fully and faithfully perform, with regard to the Demised Premises, all of the duties and obligations contained in the Master Lease to be performed by Sublandlord excluding the following:

(i) The payment of "Rent" (as defined and provided for under Section 4 of the Master Lease) including "Tenant's Pro Rata Share" of "Operating Expenses" and "Property Taxes" (as those terms are defined in the Master Lease) except to the extent that any portion of "Additional Rent" (as defined in the Master Lease) has been assumed by Subtenant pursuant to this Sublease (e.g., parking fees and costs, indemnification obligations attorney's fees, etc.).

(ii) Obligations related to the "Initial Tenant Improvements" (as defined in the Master Lease).

(iii) The default and remedies provisions of Sections 19 and 20 of the Master Lease.

(iv) The provisions of Section 25 (subject to Subtenant's obligations under this Sublease) and Section 26.

(b) Except as otherwise provided herein, Sublandlord, in its relations with Subtenant hereunder, shall have all of the rights and remedies afforded to Master Landlord in its relations with Sublandlord as set forth in the Master Lease other than Master Landlord's consent rights.

(c) Subtenant acknowledges and agrees that (i) Sublandlord is not subject to any of the obligations of Master Landlord as set forth in the Master Lease; and (ii) Sublandlord is hereby released and relieved of any liability to Subtenant for any default by Master Landlord under the Master Lease or any failure by Master Landlord to perform any of its obligations thereunder, but Sublandlord agrees, upon the written request of Subtenant and at Subtenant's sole expense, to employ commercially reasonable efforts to enforce any of such obligations and to cause Master Landlord to perform same; provided, however, that Sublandlord shall not be liable to Subtenant in damages if, after reasonable diligence on the part of Sublandlord, Master Landlord shall fail to perform such obligations.

(d) Subtenant acknowledges that the rights granted to it under this Sublease are not in any sense greater or broader than the rights granted to Sublandlord under the Master Lease.

(e) Subtenant and Sublandlord acknowledge and agree that (i) Sublandlord shall not exercise any "Renewal Option" or "Expansion Option" as such terms are defined in the Master Lease and (ii) Subtenant shall have the right to exercise any "Renewal Option" or "Expansion Option" only if Subtenant is able to obtain from Master Landlord a full and final

release of Sublandlord as tenant under the Master Lease with respect to all obligations and liabilities arising from and after the end of the Initial Term of the Master Lease, in a form acceptable to Sublandlord.

(f) Sublandlord and Subtenant acknowledge and agree that in the event there arises a right on the part of Sublandlord as tenant under the Master Lease to elect to terminate the Master Lease, then Subtenant shall have the right to direct Sublandlord to effectuate such a termination or, in the event Subtenant fails to exercise such right, Sublandlord may elect to so terminate the Master Lease; provided, however, that Sublandlord hereby agrees not to so terminate the Master Lease if Subtenant obtains from Master Landlord a full and final release of Sublandlord as tenant under the Master Lease for all obligations and liabilities arising after the earliest effective date on which Sublandlord was entitled to terminate the Master Lease, in a form acceptable to Sublandlord.

(g) Sublandlord hereby represents and warrants that Exhibit A contains a true and correct copy of the Master Lease and the First Amendment and the Second Amendment thereto, and Sublandlord has not consented to any other amendments of the Master Lease.

23. Notices. All notices, demands and requests under this Sublease shall be in writing, and shall not be effective unless given by prepaid registered or certified mail, return receipt requested, by nationally recognized commercial overnight courier service, by hand-delivery with a signed acknowledgment of receipt by the receiving party, or by confirmed facsimile transmittal (if a facsimile number is listed below with an original copy thereof concurrently transmitted to the recipient by one of the other means described in this Section), addressed as follows:

If to Master Landlord:	Digital Lakeside, LLC c/o Digital Realty Trust, L.P. 350 E. Cermak Road, Suite 800 Chicago, IL 60616 (312) 326-4510 (facsimile) Attention: Property Manager
with a copy to:	Digital Realty Trust, L.P. 600 W. Seventh Street, Suite 500 Los Angeles, CA 90017 (213) 688-2811 (facsimile) Attn: Christopher J. Kenney
If to Sublandlord:	Verio, Inc. 8005 South Chester Street, Suite 200 Englewood, CO 80112 (303) 708-2494 (facsimile) Attn: SVP, Corporate Development
with a copy to:	Verio, Inc. 8005 South Chester Street, Suite 200 Englewood, CO 80112 (303) 708-2494 (facsimile) Attn: SVP, General Counsel

and	Brownstein Hyatt & Farber 410 - 17th Street, Suite 2200 Denver, CO 80202 Attn: Gregory A. Vallin Facsimile No: 303-223-1111
If to Subtenant:	Equinix Operating Co., Inc. 301 Velocity Way, 5th Floor Foster City, CA 94404 Attn: Director of Real Estate Facsimile No: 650-513-7913
and	Katten Muchin Rosenman LLP 525 West Monroe Street Chicago, IL 60661 Attn: Howard M. Richard Facsimile No: 312-577-8670

or at such other address or facsimile number as any party may hereafter designate by written notice to all other parties. The effective date of all notices shall be the date of receipt by the party to whom the notice is addressed or, if receipt of such notice is not accepted or is not possible due to a change in address or facsimile number for which the sending party did not receive notice, the effective date of such a notice shall be the date of mailing such notice, if mailed, the date of delivery to a courier service, if delivered by courier, the date of attempted delivery, if hand delivered, or the date of the attempted facsimile transmittal, if delivered by facsimile.

Notwithstanding the foregoing, all Rent payable hereunder shall be sent to Sublandlord by wire at the following wire address or in such other form or address as Sublandlord may from time to time provide:

Bank Name:	Wells Fargo Bank NA 1740 Broadway, Denver, CO 80274
ABA #:	[*]
Account Name:	Verio, Inc.
Account #:	[*]

24. Brokers. The parties hereto each represent and warrant to the other that they have not had any dealings with any real estate brokers, finders or agents in connection with this

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

Sublease other than Trammell Crow Company ("Sublandlord's Broker") and Staubach Midwest, LLC ("Subtenant's Broker", collectively with Sublandlord's Broker, the "Brokers"). Each party agrees to indemnify, defend (with counsel selected by the such indemnified party) and hold the other party, Master Landlord and their respective nominees, successors and assigns harmless from any and all claims, costs, commissions, fees or damages by any person or firm (other than such indemnified party's Broker, if applicable) whom such party authorized or employed, or acted by implication to authorize or employ, to act for such party in connection with this Sublease. Sublandlord shall pay the Sublandlord's Broker fees and Subtenant shall pay the Subtenant's Broker fees pursuant to separate written agreements.

25. Effectiveness of Sublease. This Sublease shall not become effective until the Lease Effective Date, as defined herein.

26. Confidentiality. Each party hereto and its respective shareholders, partners, members, officers, directors, employees, agents and representatives will not disclose the subject matter or terms of this Sublease or the transaction contemplated hereby without obtaining the prior written consent of the other party thereto, which written consent may be withheld at such other party's sole discretion; provided, however, that the provisions of this Section 26 shall not apply to any disclosure required by legal authorities or any disclosure to Maser Landlord or the lenders, architects, accountants, and attorneys of such disclosing party.

27. Miscellaneous.

(a) Time is of the essence of this Sublease and of the performance by Subtenant of each and every term and condition of this Sublease and of each and every term and condition of the Master Lease which the Subtenant has herein agreed to keep and perform.

(b) This Sublease contains all of the agreements between Sublandlord and Subtenant relating to the Demised Premises and may not be modified except by written instrument duly executed by the parties.

(c) The terms and conditions of this Sublease shall extend to and be binding upon the heirs, successors and permitted assigns of the respective parties.

(d) Subtenant agrees that Sublandlord, or if Sublandlord is a partnership, its partners, whether general or limited, or if Sublandlord is a corporation, its directors, officers or shareholders, or if Sublandlord is a limited liability company, its members, shall never be personally liable for the recovery of any judgment from Sublandlord.

(e) [INTENTIONALLY DELETED]

(f) Subtenant shall not permit any instruments to be recorded against the Demised Premises without the prior written consent of Sublandlord; provided, however, that if Master Landlord consents to the recording of a memorandum of the Lease, then Sublandlord shall execute a recordable memorandum of this Sublease in a form acceptable to Sublandlord and shall consent to the recording of the same at Subtenant's cost and expense.

(g) This Sublease may be signed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Facsimile signatures shall be enforceable against the parties.

(h) This Sublease and the rights and obligations of parties hereto shall be interpreted, constructed and enforced in accordance with the laws of the State of Illinois.

(i) If any party brings any suit, action, counterclaim, or arbitration to enforce the provisions of this Agreement, the prevailing party shall be entitled to recover attorneys' fees and litigation expenses in addition to court costs.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Sublease has been duly executed by Sublandlord and Subtenant as of the dates set forth below.

SUBLANDLORD:

VERIO, INC., a Delaware corporation

/s/ Calvin Quan

Name: Calvin Quan
Title: CFO
Dated: July 13, 2005

SUBTENANT:

EQUINIX OPERATING CO., INC.,
a Delaware corporation

/s/ Renee F. Lanam

Name: Renee F. Lanam
Title: Secretary
Dated: July 12, 2005

Exhibit 21.1

List of Equinix's Subsidiaries

Name	Jurisdiction
Equinix Operating Co., Inc.	Delaware
Equinix-DC, Inc.	Delaware
Equinix Europe, Inc.	Delaware
Equinix Cayman Islands Holdings	Cayman Islands
Equinix Dutch Holdings N.V.	Netherlands
Equinix Netherlands B.V.	Netherlands
Equinix Germany GmbH	Germany
Equinix UK Limited	United Kingdom
Equinix Asia Pacific Pte Ltd	Singapore
Equinix Singapore Holdings Pte Ltd	Singapore
Equinix Singapore Pte Ltd	Singapore
Equinix Pacific Pte Ltd	Singapore
Equinix Shanghai Co., Ltd.	China
Pihana Pacific SDN, BHD	Malaysia
Equinix Pacific, Inc.	Delaware
Equinix Pacific Business Recovery, Inc.	Delaware
Pihana Pacific Business Recovery Hong Kong Limited	Hong Kong
Equinix Japan KK (in Kanji)	Japan
Equinix Australia Pty Ltd	Australia
Equinix Hong Kong Ltd	Hong Kong

Exhibit 31.1

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

I, Peter F. Van Camp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Equinix, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 4, 2005

/s/ PETER F. VAN CAMP

Peter F. Van Camp
Chief Executive Officer

Exhibit 31.2

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

I, Renee F. Lanam, certify that:

1. I have reviewed this 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 4, 2005

/s/ RENEE F. LANAM

Renee F. Lanam
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Equinix, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2005 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 4, 2005

Exhibit 32.2

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

In connection with the Quarterly Report of Equinix, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2005, 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 4, 2005