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 March 31, 2006

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 a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the Registrant's Common Stock as of March 31, 2006 was 28,560,002.

EQUINIX, INC.

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	March 31, 2006	December 31, 2005
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 81,125	$ 119,267
Short-term investments	62,651	52,105
Accounts receivable, net	18,470	17,237
Prepaids and other current assets	4,675	3,103
Total current assets	166,921	191,712
Long-term investments	18,447	17,483
Property and equipment, net	449,236	438,790
Goodwill	22,277	21,654
Debt issuance costs, net	2,867	3,075
Other assets	9,668	8,283
Total assets	$ 669,416	$ 680,997
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 21,185	$ 22,557
Accrued property and equipment	18,295	15,783
Borrowings from credit line	—	30,000
Current portion of accrued restructuring charges	13,060	12,400
Current portion of capital lease and other financing obligations	1,650	1,552
Current portion of mortgage payable	1,285	1,159
Other current liabilities	7,114	7,972
Total current liabilities	62,589	91,423
Accrued restructuring charges, less current portion	34,658	37,431
Capital lease and other financing obligations, less current portion	94,191	94,653
Mortgage payable, less current portion	58,510	58,841
Convertible subordinated debentures	86,250	86,250
Deferred rent and other liabilities	26,318	23,726
Total liabilities	362,516	392,324
Stockholders' equity:		
Common stock	29	27
Additional paid-in capital	857,040	839,497
Deferred stock-based compensation	—	(4,930)
Accumulated other comprehensive income	1,948	1,126
Accumulated deficit	(552,117)	(547,047)
Total stockholders' equity	306,900	288,673
Total liabilities and stockholders' equity	$ 669,416	$ 680,997

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended March 31, 2006	Three months ended March 31, 2005
	(unaudited)	
Revenues	$64,869	$48,684
Costs and operating expenses:		
Cost of revenues	43,345	36,873
Sales and marketing	7,198	4,819
General and administrative	17,130	10,489
Total costs and operating expenses	67,673	52,181
Loss from operations	(2,804)	(3,497)
Interest income	1,611	667
Interest expense	(3,868)	(2,459)
Loss before income taxes and cumulative effect of a change in accounting principle	(5,061)	(5,289)
Income taxes	(385)	(505)
Net loss before cumulative effect of a change in accounting principle	(5,446)	(5,794)
Cumulative effect of a change in accounting principle for stock-based compensation (net of income taxes of $0)	376	—
Net loss	$ (5,070)	$ (5,794)
Net loss per share:		
Basic and diluted net loss per share before cumulative effect of a change in accounting principle	$ (0.20)	$ (0.26)
Cumulative effect of a change in accounting principle	0.02	—
Basic and diluted net loss per share	$ (0.18)	$ (0.26)
Weighted average shares	27,848	21,898

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended March 31, 2006	2005
	(unaudited)	
Cash flows from operating activities:		
Net loss	$ (5,070)	$ (5,794)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	16,701	14,967
Stock-based compensation	7,758	2,444
Accretion of asset retirement obligation and accrued restructuring charges	969	343
Amortization of intangible assets and non-cash prepaid rent	211	80
Non-cash interest expense	208	905
Allowance for (recovery of) doubtful accounts	18	(58)
Loss on disposal of assets	1	3
Cumulative effect of a change in accounting principle	(376)	—
Excess tax benefits from stock-based compensation	(370)	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,251)	(2,264)
Prepaids and other assets	(1,196)	4,548
Accounts payable and accrued expenses	(993)	(450)
Accrued restructuring charges	(2,957)	(482)
Other liabilities	(862)	1,151
Net cash provided by operating activities	12,791	15,393
Cash flows from investing activities:		
Purchases of investments	(24,747)	(31,736)
Sales of investments	—	8,602
Maturities of investments	13,269	31,123
Purchases of property and equipment	(26,613)	(5,523)
Accrued property and equipment	2,512	(643)
Proceeds from sale of property and equipment	6	—
Net cash provided by (used in) investing activities	(35,573)	1,823
Cash flows from financing activities:		
Proceeds from exercise of stock options and employee stock purchase plans	14,714	4,347
Repayment of borrowings from credit line	(30,000)	—
Repayment of capital lease and other financing obligations	(364)	(3,222)
Repayment of mortgage payable	(205)	—
Excess tax benefits from stock-based compensation	370	—
Net cash provided by (used in) financing activities	(15,485)	1,125
Effect of foreign currency exchange rates on cash and cash equivalents	125	(69)
Net increase (decrease) in cash and cash equivalents	(38,142)	18,272
Cash and cash equivalents at beginning of period	119,267	25,938
Cash and cash equivalents at end of period	$ 81,125	$ 44,210
Supplemental cash flow information:		
Cash paid for taxes	$ 545	$ —
Cash paid for interest	$ 3,943	$ 2,069

See accompanying notes to condensed consolidated financial statements.

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, 2005 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 16, 2006. 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 March 31, 2006, the Company had $162,223,000 of cash, cash equivalents and short-term and long-term investments. In addition, as of March 31, 2006, the Company had $43,320,000 of additional liquidity available to it under the Company's Silicon Valley Bank Credit Line in the event the Company needs additional cash to pursue attractive strategic opportunities that may become available in the future (see Note 9). While the Company had generated negative operating cash flow in each annual period since inception through 2003, commencing with the quarter ended September 30, 2003 the Company started to generate positive operating cash flow. Since then, the Company has generated cash flow from its operations throughout 2004 and 2005 and expects this trend to continue throughout 2006 and beyond. While the Company expects that its cash flow from operations will continue to grow, due to its recently announced Washington, D.C. Metro Area IBX Expansion Project and Chicago Metro Area IBX Expansion Project (see Note 2), the Company expects its cash flow used in investing activities, primarily as a result of its expected purchases of property and equipment to complete these expansion projects, will also increase and are expected to be greater than the Company's cash flows generated from operating activities. As a result, although the Company believes it has sufficient cash, coupled with anticipated cash generated from operating activities, to meet its currently identified business objectives for at least the next twelve months, the Company will investigate financing opportunities in connection with the Chicago Metro Area IBX Expansion Project in order to minimize expected cash outlays to pursue this project and in order to continue to meet its cash requirements to fund its other capital expenditures, debt service and corporate overhead requirements (excluding the purchases, sales and maturities of our short-term and long-term investments).

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; (3) managed infrastructure services, such as Equinix Direct, bandwidth, mail service and managed platform solutions and (4) other services consisting of rent from non-IBX space. 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 for IBX space customers. 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 generally 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. There were no significant service level credits recorded during the three months ended March 31, 2006 and 2005.

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 which 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, greater 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 and an analysis of historical credits issued. Delinquent account balances are written-off after management has determined that the likelihood of collection is not probable.

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;" EITF Issue 04-8 "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share" and SFAS No. 123(R), "Share-Based Payment." Under the provisions of SFAS No. 128, SAB No. 98, EITF Issues 03-6 and 04-8 and SFAS No. 123R, 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 qualified as a participating security, but was not included in the Company's basic and diluted net loss per share calculations for prior periods as the holder of preferred stock did 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 March 31, 2006	Three months ended March 31, 2005
Numerator:		
Net loss	$ (5,070)	$ (5,794)
Denominator:		
Weighted average shares	28,073	21,898
Weighted average unvested restricted shares issued subject to forfeiture	(225)	—
Total weighted average shares	27,848	21,898
Net loss per share:		
Basic and diluted	$ (0.18)	$ (0.26)

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):

	March 31, 2006	March 31, 2005
Series A preferred stock	—	1,868,667
Series A preferred stock warrant	—	965,674
Shares reserved for conversion of convertible secured notes	—	209,560
Shares reserved for conversion of convertible subordinated debentures	2,183,548	2,183,548
Unvested restricted shares issued subject to forfeiture	250,000	—
Common stock warrants	10,662	273,233
Common stock related to stock-based compensation plans	4,290,087	4,698,359

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 March 31, 2006 and 2005, the Company recorded a tax provision of $385,000 and $505,000, 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 March 31, 2006 and December 31, 2005, along with other taxes, such as personal and real property taxes (see Note 6). During the three months ended March 31, 2006, the Company reduced $370,000 of this income tax payable within accounts payable and accrued expenses to additional paid-in capital as a result of excess tax benefits associated with the stock options exercised by employees during the period.

Construction in Progress

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

Interest incurred is capitalized in accordance with SFAS No. 34, “Capitalization of Interest Costs.” Total interest cost incurred and total interest capitalized during the three months ended March 31, 2006, was $4,131,000 and $263,000, respectively. There was no interest capitalized during the three months ended March 31, 2005.

Asset Retirement Costs

SFAS No. 143, "Accounting for Asset Retirement Obligations" and FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143" establish accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. The fair value of a liability for an asset retirement obligation is to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized and included as part of the carrying value of the long-lived asset and amortized over the useful life of the asset. Subsequent to the initial measurement, the Company is accreting the liability in relation to the asset retirement obligations over time and the accretion expense is being recorded as a cost of revenue. The Company's asset retirement obligations are primarily related to its IBX Centers, of which the majority are leased under long-term arrangements, and, in certain cases, are required to be returned to the landlords in original condition. All of the Company's IBX center leases have been subject to significant development by the Company in order to convert them from, in most cases, vacant buildings or warehouses into IBX centers. The majority of the Company IBX centers' initial lease terms expire at various dates ranging from 2010 to 2020 and all of them have renewal options available to the Company.

During the three months ended March 31, 2006 and 2005, the Company recorded accretion expense related to its asset retirement obligations of $125,000 and $119,000, respectively.

Stock-Based Compensation

The Company adopted the provisions of, and accounts for stock-based compensation in accordance with, SFAS No. 123(R), "Share-Based Payment," and related pronouncements ("SFAS 123(R)"), during the first quarter of fiscal 2006. The Company elected the modified-prospective method, under which prior periods are not revised for comparative purposes. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date for all stock-based awards made to employees and directors based on the fair value of the award using an option-pricing model and is recognized as expense over the requisite service period, which is generally the vesting period. The Company has three types of equity awards or plans, which have been impacted by SFAS 123(R): (i) stock options, (ii) restricted stock with both a service and market price condition and (iii) an employee stock purchase plan ("ESPP"). SFAS 123(R) supersedes the Company's previous accounting under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees," ("APB 25") for periods beginning in fiscal year 2006. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") providing supplemental implementation guidance for SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R). As a result of the Company's adoption of SFAS 123(R), the Company recorded stock-based compensation expense of $7,758,000 for the three months ended March 31, 2006. For the three months ended March 31, 2005, the Company recorded stock-based compensation expense in accordance with APB 25 of $2,444,000.

The Company currently uses the Black-Scholes option-pricing model to determine the fair value of stock options and shares purchased under the employee stock purchase plan as they only have a service condition. The Company currently uses a Monte Carlo simulation option-pricing model to determine the fair value of its restricted stock grants since they have both a service and market price condition. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the Company's expected stock price volatility over the term of the awards; actual and projected employee stock option exercise behaviors, which is referred to as expected term; risk-free interest rate and expected dividends.

Prior to the adoption of SFAS 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under the intrinsic value method, no stock-based compensation expense for employee stock options had generally been recognized in the Company's consolidated statements of operations because the exercise price of its stock options granted to employees and directors since the date of our initial public offering generally equaled the fair market value of the underlying stock at the date of grant. The Company did, however, recognize stock-based compensation in connection with its restricted stock grants, granted for the first time in the first quarter of 2005, as these were deemed to be a compensatory plan under the provisions of APB 25 and, as a result, were accounted for as variable awards in the Company's consolidated statements of operation.

Stock-based compensation expense recognized during a period is based on the value of the portion of stock-based awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in the three months ended March 31, 2006, included compensation expense for stock-based awards granted prior to, but not yet vested as of December 31, 2005, based on the fair value on the grant date estimated in accordance with the pro forma provisions of SFAS 123, and compensation expense for the stock-based awards granted subsequent to December 31, 2005, based on the fair value on the grant date estimated in accordance with the provisions of SFAS 123(R). In conjunction with the adoption of SFAS 123(R), the Company changed its method of attributing the value of stock-based compensation expense from the accelerated multiple-option method to the ratable single-option method for stock options and its ESPP; however, restricted stock grants will continue to be amortized over the accelerated multiple-option method due to their market price condition. Compensation expense for all stock-based awards granted on or prior to December 31, 2005, will continue to be recognized using the accelerated multiple-option approach, while compensation expense for all stock-based awards granted subsequent to December 31, 2005, will be recognized using the ratable single-option method (except for restricted stock as discussed above). Stock-based compensation expense recognized in the Company's results for the first quarter of fiscal year 2006 is based on awards ultimately expected to vest; it has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures. Prior to fiscal year 2006, the Company accounted for forfeitures as they occurred for the purposes of pro forma information under SFAS 123 and for any stock-based compensation that the Company did record to its statements of operations under APB 25.

The Company estimates the expected term of options granted by taking the average of the vesting term and the contractual term of the option, as illustrated in SAB 107. The Company estimates the volatility of its common stock by using its historical volatility that the Company believes is the best representative of its future volatility in accordance with SAB 107. The Company bases the risk-free interest rate that it uses in its option-pricing models on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on its equity awards. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore used an expected dividend yield of zero in its option-pricing models. Generally, stock options granted prior to October 1, 2005 have a contractual term of ten years from the date of grant, and stock options granted on or after October 1, 2005 have a contractual term of seven years from the date of grant.

On November 10, 2005, the FASB issued FASB Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards," that allows for a simplified method to establish the beginning balance of the APIC pool related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC pool and consolidated statements of cash flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123(R). The Company is still in the process of calculating the APIC pool and has not yet determined if it will elect to adopt the simplified method.

If factors change and the Company employs different assumptions for estimating stock-based compensation expense in future periods or if it decides to use a different valuation model in the future, the future periods may differ significantly from what the Company has recorded in the current period and could materially affect its operating results, net income or loss and net income or loss per share.

For further information on stock-based compensation, see Note 10 below.

Goodwill and Other Intangible Assets

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

	March 31, 2006 (unaudited)	December 31, 2005
Goodwill	$ 22,277	$ 21,654
Other intangibles:		
Intangible asset - customer contracts	4,159	4,051
Intangible asset - leases	1,017	—
Intangible asset - tradename	322	313
Intangible asset - workforce	160	160
Intangible asset - lease expenses	111	—
	5,769	4,524
Accumulated amortization	(4,612)	(4,349)
	1,157	175
	$ 23,434	$ 21,829

The Company's goodwill is an asset denominated in Singapore dollars. As a result, it is subject to foreign currency fluctuations. The Company's foreign currency translation gains and losses are a component of other comprehensive income and loss (see Note 12).

During the quarter ended March 31, 2006, the Company finalized its accounting for the Ashburn Campus Property Acquisition from the fourth quarter of 2005 and, as a result, recorded $1,128,000 of less property and equipment, offset by an increase in several intangible assets in connection with various leases acquired from multiple tenants on the Ashburn Campus totaling $1,128,000. The Company amortizes these other identifiable intangible assets on a straight-line basis over their estimated useful lives. Other intangible assets, net, are included in other assets on the accompanying balance sheets as of March 31, 2006 and December 31, 2005.

For the three months ended March 31, 2006 and 2005, the Company recorded amortization expense of $146,000 and $15,000, respectively. The Company expects to record the following amortization expense during the next five years (in thousands) (unaudited):

Year ending:	
2006	$ 555
2007	349
2008	215
2009	89
2010	59
Thereafter	36
Total	$1,303

2. IBX Acquisitions and Expansions

Washington, D.C. Metro Area IBX Expansion Project

In February 2006, the Company announced its intention to build out a new IBX center within the Ashburn Campus in order to further expand its existing Washington, D.C. metro area IBX center. The Company intends to build out one of the undeveloped buildings located on the Ashburn Campus for a cost of approximately $50,000,000 to $55,000,000, of which approximately $40,000,000 is expected to be incurred in 2006. The center will feature an updated design that will enable the Company to support the increased power and cooling demands of customers. The Company intends to open the new center for customers in early 2007 (the "Washington, D.C. Metro Area IBX Expansion Project"). The Washington, D.C. Metro Area IBX Expansion Project will fulfill the Company's requirement to invest at least $40,000,000 in capital improvements to the Ashburn Campus by December 31, 2007 pursuant to the terms of the Mortgage Payable.

Chicago Metro Area IBX Expansion Project

In February 2006, the Company entered into a definitive purchase and sale agreement to purchase a vacant 228,000 square foot stand-alone office/warehouse complex in the Chicago metro area for $9,750,000, payable upon closing, except for $700,000, which the Company paid in March 2006, in the form of a refundable deposit. The agreement is subject to numerous closing conditions, including the satisfactory completion by the Company of a comprehensive due diligence review of the property. As part of the evaluation process, the Company is considering several partnering and financing options for building out this center and is also evaluating options to build out this center in a phased approach. The new center would be interconnected to the Company's downtown Chicago IBX center through redundant dark fiber links managed by the Company (the "Chicago Metro Area IBX Expansion Project"). If the Company pursues the Chicago Metro Area IBX Expansion Project, additional significant capital expenditures would be required in order to build out a new IBX center on this property. In April 2006, the Company paid a $100,000 nonrefundable deposit to extend the due diligence period for the Chicago Metro Area IBX Expansion Project to May 2006.

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 months ended March 31, 2006, revenues recognized with related parties, primarily entities affiliated with STT Communications, were $1,434,000 and as of March 31, 2006, accounts receivable with these related parties was $934,000. For the three months ended March 31, 2006, costs and services procured with related parties, primarily entities affiliated with STT Communications, were $952,000 and as of March 31, 2006, accounts payable with these related parties was $454,000. For the three months ended March 31, 2005, revenues recognized with related parties, primarily entities affiliated with STT Communications, were $1,573,000 and as of March 31, 2005, accounts receivable with these related parties was $1,270,000. For the three months ended March 31, 2005, costs and services procured with related parties, primarily entities affiliated with STT Communications, were $794,000 and as of March 31, 2005, accounts payable with these related parties was $326,000.

4. Accounts Receivable

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

	March 31, 2006 (unaudited)	December 31, 2005
Accounts receivable	$ 39,359	$ 36,430
Unearned revenue	(20,725)	(19,048)
Allowance for doubtful accounts	(164)	(145)
	$ 18,470	$ 17,237

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.

5. Property and Equipment

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

	March 31, 2006 (unaudited)	December 31, 2005
Leasehold improvements	$ 398,794	$ 395,698
IBX plant and machinery	148,436	146,896
IBX equipment	66,480	63,786
Computer equipment and software	26,523	26,253
Buildings	50,526	51,280
Land	15,201	15,415
Furniture and fixtures	2,218	2,218
Construction in progress	38,291	17,271
	746,469	718,817
Less accumulated depreciation	(297,233)	(280,027)
	$ 449,236	$ 438,790

Leasehold improvements, IBX plant and machinery, computer equipment and software and buildings recorded under capital leases aggregated $35,309,000 at both March 31, 2006 and December 31, 2005. Amortization on the assets recorded under capital leases is included in depreciation expense and accumulated depreciation on such assets totaled $2,942,000 and $2,354,000 as of March 31, 2006 and December 31, 2005, respectively.

As of March 31, 2006 and December 31, 2005, the Company had accrued property and equipment of $18,295,000 and $15,783,000, respectively. The Company intends to spend a significant amount in additional property and equipment during 2006 in connection with recently acquired IBX properties and expansion efforts. For further information, refer to “Other Purchase Commitments” in Note 11.

6. Accounts Payable and Accrued Expenses

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

	March 31, 2006 (unaudited)	December 31, 2005
Accounts payable	$ 2,799	$ 3,337
Accrued compensation and benefits	8,489	8,632
Accrued taxes	3,043	3,571
Accrued utility and security	3,159	3,420
Accrued professional fees	1,825	1,303
Accrued interest	668	873
Accrued other	1,202	1,421
	$ 21,185	$ 22,557

7. Other Current Liabilities

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

	March 31, 2006 (unaudited)	December 31, 2005
Deferred installation revenue	$ 5,787	$ 6,324
Customer deposits	603	868
Deferred rent	393	399
Other current liabilities	331	381
	$ 7,114	$ 7,972

8. Deferred Rent and Other Liabilities

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

	March 31, 2006 (unaudited)	December 31, 2005
Deferred rent	$ 20,726	$ 18,392
Asset retirement obligations	3,773	3,649
Deferred installation revenue	1,350	1,334
Other liabilities	469	351
	$ 26,318	$ 23,726

The Company currently leases the majority of its IBX centers and certain equipment under noncancelable operating lease agreements expiring through 2025. 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 and Other Financing Obligations

Silicon Valley Bank Credit Line

In January 2006, the Company fully repaid the $30,000,000 Drawdown from the Silicon Valley Bank Credit Line. As of March 31, 2006, the Company had utilized $6,680,000 under the letters of credit sublimit available under the Silicon Valley Bank Credit Line with the issuance of five letters of credit and, as a result, reduced the amount of borrowings available to the Company from $50,000,000 to $43,320,000. These letters of credit automatically renew in successive one-year periods until the final lease expiration dates. If the landlords for any of these five IBX leases decide to draw down on these letters of credit, the Company will be required to fund these letters of credit either through cash collateral or borrowings under the Silicon Valley Bank Credit Line. As of March 31, 2006, the Silicon Valley Bank Credit Line had an effective interest rate of 7.33% per annum.

Maturities

Combined aggregate maturities for the Company's various debt facilities and other financing obligations as of March 31, 2006 are as follows (in thousands) (unaudited):

	Capital lease and other financing obligations	Mortgage payable	Convertible subordinated debentures	Total
2006 (nine months remaining)	$ 6,988	$ 4,517	$ —	$ 11,505
2007	9,568	6,022	—	15,590
2008	9,842	6,022	—	15,864
2009	10,122	6,022	86,250	102,394
2010	10,409	6,022	—	16,431
2011 and thereafter	128,355	90,838	—	219,193
	175,284	119,443	86,250	380,977
Less amount representing interest	(85,998)	(59,648)	—	(145,646)
Plus amount representing residual property value	6,555	—	—	6,555
	95,841	59,795	86,250	241,886
Less current portion	(1,650)	(1,285)	—	(2,935)
	$ 94,191	$ 58,510	$ 86,250	$ 238,951

10. Stockholders' Equity and Stock-Based Compensation

The Company's employee stock plans are a long-term retention program that is intended to attract, retain and provide incentives for talented employees, officers and directors, and to align stockholder and employee interests. The Company considers its stock plans to be critical for its operation and productivity and essentially all of the Company's employees participate. The Company's stock plans are described below.

Stock Option Plans

In May 2000, the Company's stockholders approved the adoption of the 2000 Equity Incentive Plan as the successor plan to the 1998 Stock Plan. In August 2000 the Company ceased to issue additional grants under the 1998 Stock Plan, and unexercised options under the predecessor 1998 Stock Plan that cancel due to an optionee's termination may be reissued under the successor 2000 Equity Incentive Plan. Under the 2000 Equity Incentive Plan, nonstatutory stock options, restricted shares, restricted stock units, and stock appreciation rights may be granted to employees, outside directors and consultants at not less than 85% of the fair market value on the date of grant, and incentive stock options may be granted, for a limited time, to employees at not less than 100% of the fair market value on the date of grant. Options granted prior to October 1, 2005 generally expire 10 years from the grant date, and options granted to employees and consultants on or after October 1, 2005 will generally expire seven years from the grant date, subject to continuous service of the optionee. Stock options and restricted shares granted under the 2000 Equity Incentive Plan generally vest over four years. As of March 31, 2006, the Company has reserved a total of 8,219,601 shares for issuance under the 2000 Equity Incentive Plan of which 1,854,835 were still available for grant, and the plan reserve is increased on January 1 each year by the lesser of 6% of the common stock then outstanding or 6,000,000 shares. The 2000 Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors, and the Board may terminate or amend the plan, with approval of the stockholders as may be required by applicable regulations, at any time.

In May 2000, the Company's stockholders approved the adoption of the 2000 Director Option Plan, which was amended and restated effective January 1, 2003. Under the 2000 Director Option Plan, each non-employee board member who was not previously an employee of the Company will receive an automatic initial nonstatutory stock option to purchase 7,000 shares (in addition to an option for 8,000 shares if chairperson of the Compensation or Nominating Committees, or 13,000 if chairperson of the Audit Committee, granted from the 2000 Equity Incentive Plan), which vests in four annual installments. In addition, each non-employee board member will receive an annual nonstatutory stock option to purchase 2,500 shares (in addition to an option to purchase 2,500 shares granted from the 2000 Equity Incentive Plan) on the date of the Company's regular Annual Meeting of Stockholders, provided the board member will continue to serve as a director thereafter. Such annual option shall vest in full on the earlier of a) the first anniversary of the grant, or b) the date of the regular Annual Meeting of Stockholders held in the year following the grant date. A new director who receives an initial option will not receive an annual option in the same calendar year. Options granted under the 2000 Director Option Plan will have an option price not less than 100% of the fair market value on the date of grant and will have a 10-year contractual term, subject to continuous service of the board member. As of March 31, 2006, the Company has reserved 393,440 shares subject to options for issuance under the 2000 Director Option Plan of which 348,438 were still available for grant, and an additional 50,000 shares is added to the reserve on January 1 each year. The 2000 Director Option Plan is administered by the Compensation Committee of the Board of Directors, and the Board may terminate or amend the plan, with approval of the stockholders as may be required by applicable regulations, at any time.

In September 2001, the Company adopted the 2001 Supplemental Stock Plan, under which nonstatutory stock options and restricted shares may be granted to consultants and employees who are not executive officers or board members, at not less than 85% of the fair market value on the date of grant. Options granted prior to October 1, 2005 generally expire 10 years from the grant date, and options granted on or after October 1, 2005 will generally expire seven years from the grant date, subject to continuous service of the optionee. Current stock options granted under the 2001 Supplemental Stock Plan generally vest over four years. As of March 31, 2006, the Company has reserved a total of 1,493,961 shares for issuance under the 2001 Supplemental Stock Plan, of which 18,736 were still available for grant. The 2001 Supplemental Stock Plan is administered by the Compensation Committee of the Board of Directors, and the plan will continue in effect indefinitely unless the Board decides to terminate it earlier.

The 1998 Stock Plan, 2000 Equity Incentive Plan, 2000 Director Option Plan and 2001 Supplemental Stock Plan are collectively referred to as the “Stock Option Plans.”

Employee Stock Purchase Plans

In May 2000, the Company adopted the 2000 Employee Stock Purchase Plan (the “2000 Purchase Plan”) under which 31,250 shares were reserved for issuance, and after January 1, 2005, no additional shares were added to the 2000 Purchase Plan. The last purchase under the 2000 Purchase Plan was in July 2005, at which time the 2000 Purchase Plan ceased and the unused reserved shares expired.

In June 2004, the Company’s stockholders approved the adoption of the 2004 Employee Stock Purchase Plan and International Employee Stock Purchase Plan (the “2004 Purchase Plans”, collectively with the 2000 Purchase Plan, the “Purchase Plans”) as successor plans to the 2000 Purchase Plan. A total of 500,000 shares have been reserved for issuance under the 2004 Purchase Plans, and the number of shares available for issuance under the 2004 Purchase Plans automatically increases on January 1 each year beginning in 2005 by the lesser of 2% of the shares of common stock then outstanding or 500,000 shares. As of March 31, 2006, a total of 1,228,222 shares remain available for purchase under the Purchase Plans. The 2004 Purchase Plans permit eligible employees to purchase common stock on favorable terms via payroll deductions, up to 15% of the employee’s cash compensation, subject to certain share and statutory dollar limits. Two overlapping offering periods commence during each calendar year, on each February 14 and August 14 or such other periods or dates as determined by the Compensation Committee from time to time, and the offering periods last up to 24 months with a purchase date every six months. The price of each share purchased is 85% of the lower of a) the fair market value per share of common stock on the last trading day before the commencement of the applicable offering period or b) the fair market value per share of common stock on the purchase date. The 2004 Purchase Plans are administered by the Compensation Committee of the Board of Directors, and such plans will terminate automatically in June 2014 unless a) the 2004 Purchase Plans are extended by the Board of Directors and b) the extension is approved within 12 months by the Company’s stockholders.

For the three months ended March 31, 2006, 67,687 shares were issued under the Purchase Plans at a weighted average purchase price of $28.68 per share. For the three months ended March 31, 2005, 140,757 shares were issued under the Purchase Plans at a weighted average purchase price of $11.59 per share.

Stock Option Plan Activity

Stock option activity under the Stock Option Plans is summarized as follows (unaudited):

	Number of shares outstanding	Weighted-average exercise price per share
Stock options outstanding, December 31, 2005	4,162,539	$ 33.67
Stock options granted	786,100	52.19
Stock options exercised	(760,410)	16.80
Stock options forfeited	(87,588)	35.48
Stock options expired	(2,554)	60.19
Stock options outstanding, March 31, 2006	4,098,087	40.30

The total intrinsic value of stock options exercised during the period was $25,169,000. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the shares. The total fair value of options vested during the three months ended March 31, 2006 was $5,825,000.

The following table summarizes information about outstanding equity awards as of March 31, 2006 (unaudited):

	Outstanding			Exercisable	
Range of exercise prices	Number of shares	Weighted-average remaining contractual life	Weighted-average exercise price	Number of shares	Weighted-average exercise price
$2.13 to $12.16	423,234	6.77	$ 4.65	406,679	$ 4.56
$12.56 to $26.81	651,669	7.61	22.10	388,632	20.86
$26.90 to $30.02	657,820	7.64	29.78	335,850	29.75
$30.38 to $40.39	453,403	7.52	36.34	86,936	35.09
$40.53 to $44.89	887,205	8.88	43.64	179,001	44.08
$45.08 to $52.85	749,866	6.91	52.07	32,192	52.49
$54.34 to $64.00	61,634	6.16	55.68	24,484	56.54
$71.04 to $93.00	8,479	4.84	89.13	8,479	89.13
$100.80 to $198.00	171,883	4.34	134.37	171,883	134.37
$202.00 to $384.00	32,894	4.30	232.97	32,894	232.97
	4,098,087	7.47	40.30	1,667,030	39.28

The total intrinsic value of stock options outstanding and stock options exercisable as of March 31, 2006 was $115,853,000 and $59,392,000, respectively. The intrinsic value is calculated as the difference between the market value as of March 31, 2006 and the exercise price of the shares. The market value as of March 31, 2006 was $64.22 as reported by the Nasdaq National Market System. The weighted-average remaining contractual life of options exercisable as of March 31, 2006 was 6.86 years.

Restricted Share Activity

As noted above, the Company grants restricted shares out of the 2000 Equity Incentive Plan. Restricted Share activity under the 2000 Equity Incentive Plan is summarized as follows (unaudited):

	Number of shares outstanding	Weighted-average grant date fair value per share
Restricted shares outstanding, December 31, 2005	280,438	$ 43.76
Restricted shares granted	250,000	43.28
Restricted shares issued, unvested (1)	(250,000)	43.28
Restricted shares issued, vested	(37,313)	43.76
Restricted shares canceled	(51,125)	43.76
Restricted shares outstanding, March 31, 2006 (2)	192,000	43.76

(1) On January 10, 2006, the Company granted 250,000 restricted shares to its executive officers and at the same time, unlike the previous year's restricted stock grants (see footnote 2 below), issued these shares into an escrow account under the names of each of the executive officers. These shares have voting rights and are considered issued and outstanding. They will be released from the escrow account as they vest. However, they are subject to forfeiture if the individual officers do not meet the vesting requirements. See "Net Loss Per Share" in Note 1.

(2) As of March 31, 2006, there was a total of 192,000 restricted shares outstanding and unissued. These restricted shares were granted on February 8, 2005 to the Company's executive officers. These shares were not placed into an escrow account in the names of each of the executive officers. These shares do not have voting rights and are not considered issued and outstanding. These restricted shares will only be issued when they become vested.

Unvested restricted shares as of December 31, 2005 totaled 280,438. Unvested restricted shares as of March 31, 2006 totaled 442,000 comprised of 250,000 issued shares and 192,000 unissued shares.

Fair Value Calculations – Stock Options

The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options. The assumptions used to value stock option were as follows (unaudited):

	Three months ended March 31,	
	2006	2005
Dividend yield	0%	0%
Expected volatility	70%	80%
Risk-free interest rate	4.67%	3.93%
Expected life (in years)	4.53	4.00

The weighted-average fair value of stock options per share on the date of grant was $30.82 and $26.83 for the three months ended March 31, 2006 and 2005, respectively.

Fair Value Calculations – Restricted Shares

The Company uses a Monte Carlo simulation option-pricing model to determine the fair value of restricted shares as they have both a service and market price condition. The assumptions used to value restricted shares were as follows (unaudited):

	Three months ended March 31,	
	2006	2005
Dividend yield	0%	0%
Expected volatility	71%	80%
Risk-free interest rate	4.39%	3.55%
Market risk premium	8.5%	8.5%
Beta	1.28	1.28

The weighted-average fair value per share of restricted shares on the date of grant was $43.28 and $43.76 for the three months ended March 31, 2006 and 2005, respectively.

Fair Value Calculations – Employee Stock Purchase Plans

The Company uses the Black-Scholes option-pricing model to determine the fair value of shares purchased under the Purchase Plans. The assumptions used to value shares purchased under the Purchase Plans were as follows (unaudited):

	Three months ended March 31,	
	2006	2005
Dividend yield	0%	0%
Expected volatility	71%	80%
Risk-free interest rate	4.57%	3.33%
Expected life (in years)	1.25	1.25

The weighted-average fair value per share of shares purchased on the date of purchase was $17.31 and $6.93 for the three months ended March 31, 2006 and 2005, respectively.

Cumulative Effect Adjustments Under SFAS 123(R)

Upon adoption of SFAS 123(R) on January 1, 2006, the Company recorded the following two cumulative effect adjustments:

- For awards with compensation cost recognized in the financial statements under APB 25 that were partially vested upon the adoption of SFAS 123(R), an adjustment to record estimated forfeitures was recorded as a cumulative effect adjustment upon a change in accounting principle totaling $376,000 in the Company's consolidated statement of operations for the three months ended March 31, 2006.
- For deferred stock-based compensation related to equity awards granted prior to the adoption of SFAS 123(R), such amounts were eliminated against additional paid-in capital upon adoption, which for the Company totaled $4,930,000 as of December 31, 2005.

Stock-Based Compensation Recognized in the Statement of Operations

The following table presents, by operating expense, the Company's stock-based compensation expense recognized in the Company's consolidated statement of operations under SFAS 123(R) for the current period and under APB 25 for the prior period (in thousands) (unaudited):

	Three months ended March 31,	
	2006	2005
Cost of revenues	$ 758	$ —
Sales and marketing	1,892	447
General and administrative	5,108	1,997
	$ 7,758	$ 2,444

The Company's stock-based compensation recognized in the consolidated statement of operations was comprised of the following types of equity awards (in thousands) (unaudited):

	Three months ended March 31,	
	2006	2005
Stock options	$ 4,767	$ 139
Restricted shares	2,218	2,305
Employee stock purchase plan	773	—
	$ 7,758	$ 2,444

As of March 31, 2006, the total stock-based compensation cost related to unvested equity awards not yet recognized, net of estimated forfeitures, totaled $56,005,000, which will impact the Company's results of operations through the first quarter of 2011.

Pro Forma Stock-Based Compensation Under SFAS 123 for Periods Prior to Fiscal 2006

The following table presents what the net loss and net loss per share would have been had the Company adopted SFAS 123 for the three months ended March 31, 2005 (in thousands, except per share data) (unaudited):

Net loss as reported	$ (5,794)
Stock-based compensation expense included in net loss	2,444
Stock-based compensation expense if SFAS No. 123 had been adopted	(11,174)
Pro forma net loss	$(14,524)
Basic and diluted net loss per share:	
As reported	$ (0.26)
Pro forma	(0.66)

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 and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 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. On April 20, 2006, JPMorgan Chase and the plaintiffs reached a preliminary agreement for a settlement for $425 million. The JPMorgan Chase settlement has not yet been approved by the Court. However, if it is finally approved, then the maximum amount that the issuers' insurers will be potentially liable for is $575 million. 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 the Company does not expect that the settlement will involve any payment by the Company. However, if the JPMorgan Chase settlement is finally approved, the Company's maximum financial obligation to the plaintiffs pursuant to the settlement agreement would be less than $2 million. 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. Those modifications have been made. On March 20, 2006, the Underwriter Defendants submitted objections to the settlement to the Court. The Court held a hearing regarding these and other objections to the settlement at a fairness hearing on April 24, 2006, but has not yet issued a ruling. 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. The Underwriter Defendants sought leave to appeal the class certification decision and the Second Circuit has accepted the appeal. 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, and the Company can estimate its potential exposure to be less than approximately $3.4 million, it is not probable. In addition, as noted above, any payments are expected to be covered by existing insurance and, as a result, the Company does not expect that the settlement will involve any payment by the Company. As a result, the Company has not accrued for any settlements in connection with this litigation as of March 31, 2006.

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 March 31, 2006.

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.

Operating Lease Amendments

In February 2006, the Company amended the lease to its corporate headquarter office in Foster City, California, to expand to the fourth floor of the building, which adds approximately 20,000 of additional square feet, and to extend the lease term an additional three years to March 2011.

Other Purchase Commitments

Primarily as a result of the Company's recent Sunnyvale IBX Acquisition, Chicago IBX Acquisition, Los Angeles IBX Acquisition and Washington, D.C. Metro Area IBX Expansion Project (see Note 2), as of March 31, 2006, the Company was contractually committed for $55,329,000 of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided, in connection with the work necessary to open these IBX centers and make them available to customers for installation. In addition, the Company has numerous other, smaller future purchase commitments in place as of March 31, 2006, such as commitments to purchase power in select locations, primarily in the U.S. and Singapore, through 2006 and 2007 and other open purchase orders which contractually bind the Company for goods or services to be delivered or provided during the remainder of 2006. Such other miscellaneous purchase commitments total $10,522,000 as of March 31, 2006.

12. Other Comprehensive Income and Loss

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

	Three months ended March 31,	
	2006	2005
Net loss	$(5,070)	$(5,794)
Unrealized loss on available for sale securities	(32)	(319)
Foreign currency translation gain (loss)	854	(239)
Comprehensive loss	$(4,248)	$(6,352)

There were no significant tax effects on comprehensive loss for the three months ended March 31, 2006 and 2005.

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 March 31, 2006	2005
Revenues:		
United States	$55,840	$42,016
Asia-Pacific	9,029	6,668
	$64,869	$48,684
Cost of revenues:		
United States	$37,948	$31,916
Asia-Pacific	5,397	4,957
	$43,345	$36,873
Loss from operations:		
United States	$ (2,247)	$ (2,614)
Asia-Pacific	(557)	(883)
	$ (2,804)	$ (3,497)

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

	March 31, 2006 (unaudited)	December 31, 2005
United States	$ 469,928	$ 457,280
Asia-Pacific	32,567	32,005
	$ 502,495	$ 489,285

The Company's goodwill totaling $22,277,000 and $21,654,000 as of March 31, 2006 and December 31, 2005, 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 March 31,	
	2006	2005
Colocation	$45,569	$33,236
Interconnection	11,804	9,324
Managed infrastructure	3,933	3,341
Rental	446	—
Recurring revenues	61,752	45,901
Non-recurring revenues	3,117	2,783
	$64,869	$48,684

Revenue from one customer accounted for 10% and 12% of the Company's revenues for the three months ended March 31, 2006 and 2005, respectively. No other single customer accounted for more than 10% of the Company's revenues for the three months ended March 31, 2006 and 2005. Accounts receivables from the customer mentioned above accounted for 11% and 15% of the Company's gross accounts receivables as of both March 31, 2006 and 2005. No other single customer accounted for more than 10% of the Company's gross accounts receivables as of March 31, 2006 and 2005.

14. Restructuring Charges

2004 Restructuring Charges

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

The Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", at the beginning of its fiscal year 2003. Under the provisions of SFAS No. 146, the Company estimated the future cash payments required to exit these two leased spaces, net of any estimated subrental income and expense, 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. The Company records accretion expense to accrete its accrued restructuring liability up to an amount equal to the total estimated future cash payments necessary to complete the exit of these leases. Should the actual lease exit costs differ from the Company's estimates, the Company may need to adjust its restructuring charges associated with the excess lease spaces, which would impact net income in the period such determination was made.

A summary of the movement in the 2004 accrued restructuring charge from December 31, 2005 to March 31, 2006 is outlined as follows (in thousands) (unaudited):

	Accrued restructuring charge as of December 31, 2005	Accretion expense	Cash payments	Accrued restructuring charge as of March 31, 2006
Estimated lease exit costs	$ 13,702	$ 207	$ (453)	$ 13,456
	13,702	$ 207	$ (453)	13,456
Less current portion	(2,171)			(2,675)
	$ 11,531			$ 10,780

In January 2005, the Company sublet the excess space in the New York metro area for a two-year period and is currently evaluating opportunities related to its excess space in Los Angeles, as well as the excess space in the New York metro area beyond the two-year sublease. As the Company currently has no plans to enter into lump sum lease terminations with either of the landlords associated with these two excess space leases, the Company has reflected its accrued restructuring liability as both current and non-current on the accompanying balance sheets as of March 31, 2006 and December 31, 2005. The Company is contractually committed to these two excess space leases through 2015.

2005 Restructuring Charges

In October 2005, in light of the availability of fully or partially built-out data centers in the Silicon Valley, including the possibility of expansion among some of the four IBX centers we currently have in the Silicon Valley, the Company made the decision that retaining the approximately 40 acre San Jose Ground Lease for future expansion was no longer economical. In conjunction with this decision, the Company entered into an agreement with the landlord of this property for the early termination of the San Jose Ground Lease property whereby the Company will pay $40,000,000 over the next four years plus property taxes, commencing January 1, 2006, to terminate this lease, which would otherwise require significantly higher cumulative lease payments through 2020 (the “San Jose Ground Lease Termination”). As a result of the San Jose Ground Lease Termination, the Company recorded a $33,814,000 restructuring charge in the fourth quarter of 2005, which represents the present value of the Company’s estimated future cash payments to exit this property, as well as the write-off of all remaining property and equipment attributed to the development of this property.

The Company estimated the future cash payments required to exit the San Jose Ground Lease, 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. The Company’s use of this property terminates on December 31, 2007 and can be terminated at any time prior to December 31, 2007 upon the landlord providing the Company at least ten days prior written notice; however, even if the landlord early terminates, the Company is still required to pay the full $40,000,000 of payments due. The Company records 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 the San Jose Ground Lease.

A summary of the movement in the 2005 accrued restructuring charge from December 31, 2005 to March 31, 2006 is outlined as follows (in thousands) (unaudited):

	Accrued restructuring charge as of December 31, 2005	Accretion expense	Cash payments	Accrued restructuring charge as of March 31, 2006
Estimated lease exit costs	$ 36,129	$ 637	$(2,504)	$ 34,262
	36,129	$ 637	$(2,504)	34,262
Less current portion	(10,229)			(10,384)
	$ 25,900			$ 23,878

15. Recent Accounting Pronouncements

In September 2005, the FASB approved EITF Issue 05-7, "Accounting for Modifications to Conversion Options Embedded in Debt Securities and Related Issues" ("EITF 05-7"). EITF 05-7 addresses that the change in the fair value of an embedded conversion option upon modification should be included in the analysis under EITF Issue 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments," to determine whether a modification or extinguishment has occurred and that changes to the fair value of a conversion option affects the interest expense on the associated debt instrument following a modification. Therefore, the change in fair value of the conversion option should be recognized upon the modification as a discount or premium associated with the debt, and an increase or decrease in additional paid-in capital. EITF 05-7 is effective for all debt modifications in annual or interim periods beginning after December 15, 2005. The adoption of EITF 05-7 has not had a significant impact on the Company's financial position and results of operations.

In September 2005, the FASB approved EITF Issue 05-8, "Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature" ("EITF 05-8"). EITF 05-8 addresses that (i) the recognition of a beneficial conversion feature creates a difference between the book basis and tax basis ("basis difference") of a convertible debt instrument, (ii) that basis difference is a temporary difference for which a deferred tax liability should be recorded and (iii) the effect of recognizing the deferred tax liability should be charged to equity in accordance with SFAS No. 109. EITF 05-8 is effective for financial statements for periods beginning after December 15, 2005, and must be adopted through retrospective application to all periods presented. As a result, EITF 05-8 applies to debt instruments that were converted or extinguished in prior periods as well as to those currently outstanding. The adoption of EITF 05-8 has not had a significant impact on the Company's financial position, results of operations and cash flows.

In October 2005, the FASB issued FASB Staff Position No. SFAS 13-1 ("FSP SFAS 13-1"), which addresses the accounting for rental costs associated with building and ground operating leases that are incurred during a construction period. The FASB decided that such rental costs incurred during a construction period shall be recognized as rental expense. A lessee should cease capitalizing rental costs as of the effective date of FSP SFAS 13-1. The guidance in FSP SFAS 13-1 shall be applied to the first reporting period beginning after December 15, 2005. Early adoption is permitted for financial statements or interim financial statements that have not yet been issued. A lessee shall cease capitalizing rental costs as of the effective date of FSP SFAS 13-1 for operating lease arrangements entered into prior to the effective date of FSP SFAS 13-1. The adoption of FSP SFAS 13-1 has not had a significant impact on the Company's financial position, results of operations or cash flows as the Company's accounting policy for such rental costs has always been to expense such costs.

In November 2005, the FASB issued FASB Staff Position No. SFAS 115-1 and SFAS 124-1 (“FSP SFAS 115-1 and 124-1”), which addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. FSP SFAS 115-1 and 124-1 also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in FSP SFAS 115-1 and 124-1 amends FASB Statements No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” and No. 124, “Accounting for Certain Investments Held by Not-for-Profit Organizations,” and APB Opinion No. 18, “The Equity Method of Accounting for Investments in Common Stock.” The guidance in FSP SFAS 115-1 and 124-1 shall be applied to the first reporting period beginning after December 15, 2005. The adoption of FSP SFAS 115-1 and 124-1 has not had a significant impact on the Company’s financial position, results of operations and cash flows.

In February 2006, the FASB issued SFAS No. 155, “Accounting for Certain Hybrid Instruments,” an amendment of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” and SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities-a replacement of FASB Statement No. 125.” SFAS No. 155 improves the financial reporting of certain hybrid financial instruments by requiring more consistent accounting that eliminates exemptions and provides a means to simplify the accounting for such instruments. Specifically, SFAS No. 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 also (i) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133; (ii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (iii) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and (iv) amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity’s first fiscal year that begins after September 15, 2006. The Company is currently in the process of evaluating the impact that the adoption of SFAS No. 155 will have on its financial position, results of operations and cash flows.

In April 2006, the FASB issued FASB Staff Position No. FIN 46(R)-6 (“FSP FIN 46(R)-6”), which addresses how a reporting enterprise should determine the variability to be considered in applying FASB Interpretation No. 46, “Consolidation of Variable Interest Entities”, as amended (“FIN 46(R)”). The variability that is considered in applying FIN 46(R) affects the determination of (a) whether the entity is a variable interest entity, (b) which interests are variable interests in the entity and (c) which party, if any, is the primary beneficiary of the variable interest entity. That variability will affect any calculation of expected losses and expected residual returns, if such a calculation is necessary. FSP FIN 46(R)-6 provides additional guidance to consider for determining variability. FSP FIN 46(R)-6 is effective beginning the first day of the first reporting period beginning after June 15, 2006. The Company is currently in the process of evaluating the impact that the adoption of FSP FIN 46(R)-6 will have on its financial position, results of operations and cash flows.

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 "Liquidity and Capital Resources" below and "Risk Factors" in Item 1A of Part II of this Quarterly Report on Form 10-Q. 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, systems integrators and the world's largest network providers. Through our IBX centers in eleven markets in the U.S. and Asia-Pacific, customers can directly interconnect with each other for critical traffic exchange requirements. As of March 31, 2006, we operate IBX centers in the Chicago, Dallas, Honolulu, Los Angeles, New York, Silicon Valley and Washington, D.C. metro areas in the United States and Hong Kong, Singapore, Sydney and Tokyo in the Asia-Pacific region.

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. 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 is based on our critical mass of customers and the resulting network effect. This critical mass and the resulting network effect, combined with our strong financial position, continue to drive new customer growth and bookings.

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunication products and services with their colocation offerings. A number of these telecommunications carriers have eliminated or reduced their colocation footprint to focus on their core businesses. In 2003, as an example, one major telecommunications company, Sprint, announced its plans to exit the colocation and hosting market in order to focus on its core service offerings, while another telecommunications company, Cable & Wireless Plc, sold its 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 certain of their colocation centers. Each of these colocation providers own and operate 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, this industry consolidation has constrained the supply of suitable data center space and has had a stabilizing effect on industry pricing.

Our utilization rate represents the percentage of our cabinet space billing versus total cabinet space available. Our utilization rate grew to 57% as of March 31, 2006 from 45% as of March 31, 2005. Although we have substantial capacity for growth, our utilization rates vary from market to market among our IBX centers in the eleven markets across the U.S. and Asia-Pacific. 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. As a result of these power limitations in our existing IBX centers, the maximum utilization rate that we expect to achieve for most IBX centers until we consider an IBX center full or sold-out is approximately 75-80% depending on the building configurations.

Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service offerings, 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 metro area markets, our 2005 expansions in the Silicon Valley, Chicago and Los Angeles metro area markets opening in 2006 and our 2006 announcements on our intention to build new IBX centers in the Washington, D.C. and Chicago metro areas (see "Recent Developments" below). However, we will continue to be very selective with any similar opportunity. As was the case with these recent expansions in the Washington, D.C., Silicon Valley, Chicago and Los Angeles area markets, our expansion criteria will be dependent on 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 break-even and in-place customers. Like our recent expansions, the right combination of these factors may be attractive to us. Dependent on the particular deal, these acquisitions may require upfront cash payments and additional capital expenditures or may be funded through long-term financing arrangements in order to bring these centers up to Equinix standards. Property expansion may be in the form of a purchase of real property, as was the case with our recent Washington, D.C. metro area campus property acquisition, or a long-term leasing arrangement.

In addition to our successful strategy of acquiring previously or partially built-out centers, we are also contemplating the possibility of new construction in selective markets where the inventory for high quality data centers is limited, such as our recent announcements on our intention to build new IBX centers in the Washington, D.C. and Chicago metro areas. Decisions to build will consider factors such as customer demand, market pricing and the financial returns associated with the construction. Future purchases or construction may be completed by us or with partners or potential customers to minimize the outlay of cash.

Recent Developments

In January 2006, the Compensation Committee of the Board of Directors approved stock options to be granted to employees, excluding executive officers, to purchase an aggregate of 648,500 shares of common stock as part of our annual refresh program. In addition, the Compensation Committee of the Board of Directors also approved the issuance of 250,000 restricted shares of common stock to executive officers. The restricted shares are subject to four-year vesting, and will only vest at certain time intervals and if the stock appreciates to pre-determined levels. All such equity awards were accounted for under the provisions of SFAS No. 123(R), "Share-Based Payment," and related pronouncements, which had a significant impact on us. We expect stock-based compensation expense related to these equity awards to impact our results of operations through 2009. For further information on stock-based compensation, refer to "Accounting for Stock-Based Compensation" in "Critical Accounting Policies and Estimates" below.

In February 2006, we announced our intention to build out a new IBX center within the Ashburn campus property in order to further expand our existing Washington, D.C. metro area IBX center. We intend to build out one of the undeveloped buildings located on the Ashburn campus property for a cost of approximately $50.0 to $55.0 million, of which approximately $40.0 million is expected to be incurred in 2006. The center will feature an updated design that will enable us to support the increased power and cooling demands of customers. We intend to open the new center for customers in early 2007. We refer to this project as the Washington, D.C. metro area IBX expansion project. The Washington, D.C. metro area IBX expansion project will fulfill our requirement to invest at least $40.0 million in capital improvements to the Ashburn campus by December 31, 2007 pursuant to the terms of the Ashburn campus financing.

In February 2006, we entered into a definitive purchase and sale agreement to purchase a vacant 228,000 square foot stand-alone office/warehouse complex in the Chicago metro area for $9.8 million, payable upon closing, except for $700,000, which we paid in March 2006, in the form of a refundable deposit. The agreement is subject to numerous closing conditions, including the satisfactory completion by us of a comprehensive due diligence review of the property. As part of the evaluation process, we are considering several partnering and financing options for building out this center and are also evaluating options to build out this center in a phased approach. The new center would be interconnected to our downtown Chicago IBX center through redundant dark fiber links managed by us. We refer to this project as the Chicago metro area IBX expansion project. If we purchase this building, additional significant capital expenditures would be required in order to build out a new IBX center on this property. In April 2006, we paid a $100,000 nonrefundable deposit to extend the due diligence period for the Chicago metro area IBX expansion project to May 2006.

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, impairment of long-lived assets, accounting for asset retirement obligations, accounting for leases and IBX acquisitions, accounting for restructuring charges and accounting for stock-based compensation, which are discussed in more detail under the caption "Critical Accounting Policies and Estimates" in the Company's 2005 Annual Report on Form 10-K. As a result of our adoption of SFAS No. 123(R), "Share-Based Payment," and related pronouncements, during the first quarter of 2006, we have updated our accounting for stock-based compensation as discussed below.

Accounting for Stock-Based Compensation

We adopted the provisions of, and account for stock-based compensation in accordance with, SFAS No. 123(R), "Share-Based Payment," and related pronouncements ("SFAS 123(R)"), during the first quarter of fiscal 2006. We elected the modified-prospective method, under which prior periods are not revised for comparative purposes. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date for all stock-based awards made to employees and directors based on the fair value of the award using an option-pricing model and is recognized as expense over the requisite service period, which is generally the vesting period. We have three types of equity awards or plans, which have been impacted by SFAS 123(R): (i) stock options, (ii) restricted stock with both a service and market price condition and (iii) an employee stock purchase plan ("ESPP"). SFAS 123(R) supersedes our previous accounting under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") for periods beginning in fiscal year 2006. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") providing supplemental implementation guidance for SFAS 123(R). We have applied the provisions of SAB 107 in our adoption of SFAS 123(R). As a result of our adoption of SFAS 123(R), we recorded stock-based compensation expense of $7.8 million for the three months ended March 31, 2006. For the three months ended March 31, 2005, we recorded stock-based compensation expense in accordance with APB 25 of $2.4 million.

We currently use the Black-Scholes option-pricing model to determine the fair value of stock options and employee stock purchase plan shares as they only have a service condition. We currently use a Monte Carlo simulation option-pricing model to determine the fair value of our restricted stock grants since they have both a service and market price condition. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors or expected term, risk-free interest rate and expected dividends.

Prior to the adoption of SFAS 123(R), we accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under the intrinsic value method, no stock-based compensation expense for employee stock options had generally been recognized in our consolidated statements of operations because the exercise price of our stock options granted to employees and directors since the date of our initial public offering generally equaled the fair market value of the underlying stock at the date of grant. We did, however, recognize stock-based compensation in connection with our restricted stock, granted for the first time in the first quarter of 2005, as these restricted shares were deemed to be a compensatory plan under the provisions of APB 25 and, as a result, were accounted for as variable awards in our consolidated statements of operation.

Stock-based compensation expense recognized during a period is based on the value of the portion of stock-based awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in the three months ended March 31, 2006 included compensation expense for stock-based awards granted prior to, but not yet vested as of December 31, 2005, based on the fair value on the grant date estimated in accordance with the pro forma provisions of SFAS 123, and compensation expense for the stock-based awards granted subsequent to December 31, 2005, based on the fair value on the grant date estimated in accordance with the provisions of SFAS 123(R). In conjunction with the adoption of SFAS 123(R), we changed our method of attributing the value of stock-based compensation expense from the accelerated multiple-option method to the ratable single-option method for stock options and our ESPP; however, restricted stock grants will continue to be amortized over the accelerated multiple-option method due to their market price condition. Compensation expense for all stock-based awards granted on or prior to December 31, 2005 will continue to be recognized using the accelerated multiple-option approach, while compensation expense for all stock-based awards granted subsequent to December 31, 2005 will be recognized using the ratable single-option method (except for restricted stock as discussed above). As stock-based compensation expense recognized in our results for the first quarter of fiscal year 2006 is based on awards ultimately expected to vest; it has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures. Prior to fiscal year 2006, we accounted for forfeitures as they occurred for the purposes of pro forma information under SFAS 123 and for any stock-based compensation that we did record to our statements of operations under APB 25.

We estimate the expected term of options granted by taking the average of the vesting term and the contractual term of the option, as illustrated in SAB 107. We estimate the volatility of our common stock by using our historical volatility that we believe is the best representative of our future volatility in accordance with SAB 107. We base the risk-free interest rate that we use in our option-pricing models on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on our equity awards. We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in our option-pricing models. Generally, stock options granted prior to October 1, 2005 have a contractual term of ten years from the date of grant, and stock options granted on or after October 1, 2005 have a contractual term of seven years from the date of grant.

On November 10, 2005, the FASB issued FASB Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards," that allows for a simplified method to establish the beginning balance of the APIC pool related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC pool and consolidated statements of cash flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123(R). We are still in the process of calculating the APIC pool and have not yet determined if we will elect to adopt the simplified method.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model in the future, the future periods may differ significantly from what we have recorded in the current period and could materially affect our operating results, net income or loss and net income or loss per share.

The Black-Scholes and Monte Carlo simulation option-pricing models were developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics not present in our stock option and restricted stock grants and employee stock purchase plan shares. Existing valuation models, including the Black-Scholes and lattice binomial models, may not provide reliable measures of the fair values of our stock-based compensation. Consequently, there is a risk that our estimates of the fair values of our stock-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those stock-based payments in the future. Certain stock-based payments, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, value may be realized from these instruments that are significantly higher than the fair values originally estimated on the grant date and reported in our financial statements. There currently is no market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor is there a means to compare and adjust the estimates to actual values.

The guidance in SFAS 123(R) and SAB 107 is relatively new. The application of these principles may be subject to further interpretation and refinement over time. There are significant differences among valuation models, and there is a possibility that we will adopt different valuation models in the future. This may result in a lack of consistency in future periods and materially affect the fair value estimate of stock-based payments. It may also result in a lack of comparability with other companies that use different models, methods and assumptions.

As of March 31, 2006, the total stock-based compensation cost related to unvested equity awards not yet recognized, net of estimated forfeitures, totaled $56.0 million, which will impact our results of operations through the first quarter of 2011.

Also see Note 10 of our "Notes to Condensed Consolidated Financial Statements" in Item 1 of this Quarterly Report on Form 10-Q.

Results of Operations

Three Months Ended March 31, 2006 and 2005

Revenues. Our revenues for the three months ended March 31, 2006 and 2005 were split between the following revenue classifications (dollars in thousands):

	Three months ended March 31,			
	2006	%	2005	%
Recurring revenues	$61,752	95%	$45,901	94%
Non-recurring revenues:				
Installation and professional services	3,100	5%	2,783	6%
Other	17	0%	—	0%
	3,117	5%	2,783	6%
Total revenues	$64,869	100%	$48,684	100%

Our revenues for the three months ended March 31, 2006 and 2005 were geographically comprised of the following (dollars in thousands):

	Three months ended March 31,			
	2006	%	2005	%
U.S. revenues	$55,840	86%	$42,016	86%
Asia-Pacific revenues	9,029	14%	6,668	14%
Total revenues	$64,869	100%	$48,684	100%

We recognized revenues of $64.9 million for the three months ended March 31, 2006 as compared to revenues of $48.7 million for the three months ended March 31, 2006, a 33% increase. We analyze 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 March 31, 2006 and 2005. Historically, approximately half of our then existing customers order new services in any given quarter representing greater than half of the new orders received in 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. These non-recurring revenues are typically billed on the first invoice distributed to the customer. 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. As a percent of total revenues, we expect non-recurring revenues to represent less than 10% of total revenues for the foreseeable future. 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) utilization. Our customer count increased to 1,164 as of March 31, 2006 versus 1,005 as of March 31, 2005, an increase of 16%. Our utilization rate represents the percentage of our cabinet space billing versus total cabinet space available. Our utilization rate grew to 57% as of March 31, 2006 from 45% as of March 31, 2005. Although we have substantial capacity for growth, our utilization rates vary from market to market among our IBX centers in the eleven markets across the U.S. and Asia-Pacific. 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. As a result of these power limitations in our existing IBX centers, the maximum utilization rate that we expect to achieve for most IBX centers until we consider an IBX center full or sold-out is approximately 75-80% depending on the building configurations. Therefore, consistent with our recent expansions in the Washington, D.C., Silicon Valley, Chicago and Los Angeles metro 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 $55.8 million for the three months ended March 31, 2006 as compared to $42.0 million for the three months ended March 31, 2005. U.S. revenues consisted of recurring revenues of $53.3 million and $39.7 million, respectively, for the three months ended March 31, 2006 and 2005, a 34% increase. U.S. recurring revenues consist primarily of colocation and interconnection services plus a nominal amount of managed infrastructure services and, commencing in the fourth quarter of 2005, in connection with our October 2005 purchase of the Ashburn campus property, a nominal amount of recurring rental income from the other tenants located on this property that we now own, which totaled $446,000 for the three months ended March 31, 2006. The period over period growth in recurring revenues was primarily the result of an increase in orders from both our existing customers and new customers acquired during the period as reflected in the growth in our customer count and utilization rate as discussed above, and selective price increases in each of our IBX markets. We expect our U.S. recurring revenues, particularly colocation and interconnection services, to continue to 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 $2.3 million, respectively, for the three months ended March 31, 2006 and 2005. Non-recurring revenues are primarily related to the recognized portion of deferred installation and professional services. U.S. non-recurring revenues, consisting of the recognized portion of deferred installation and professional services, increased 11% period over period, primarily due to strong existing and new customer growth during the year.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of $9.0 million for the three months ended March 31, 2006 as compared to $6.7 million for the three months ended March 31, 2005, a 35% increase. Asia-Pacific revenues consisted of recurring revenues of $8.5 million and $6.2 million, respectively, for the three months ended March 31, 2006 and 2005, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of $534,000 and $463,000, respectively, for the three months ended March 31, 2006 and 2005. Asia-Pacific non-recurring revenues included $17,000 of contract settlement revenue for the three months ended March 31, 2006. There was no Asia-Pacific contract settlement revenue for the three months ended March 31, 2005. Asia-Pacific revenues are generated from Hong Kong, Singapore, Sydney and Tokyo, with Singapore representing approximately 40% and 46%, respectively, of the regional revenues for the three months ended March 31, 2006 and 2005. 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 Hong Kong, Sydney and Tokyo.

Cost of Revenues. Cost of revenues were $43.3 million for the three months ended March 31, 2006 as compared to $36.9 million for the three months ended March 31, 2005, an 18% 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 is fixed in nature and should not vary significantly from period to period. However, there are certain costs, which are considered more variable in nature, including utilities and supplies, that are directly related to growth of services in our existing and new customer base. We expect the cost of our utilities, specifically electricity, will increase in the future on a per unit or fixed basis in addition to on a customer growth or variable basis. In addition, the cost of electricity is generally higher in the summer months as compared to other times of the year.

U.S. Cost of Revenues. U.S. cost of revenues were $37.9 million for the three months ended March 31, 2006 as compared to $31.9 million for the three months ended March 31, 2005. U.S. cost of revenues for the three months ended March 31, 2006 included (i) $15.8 million of depreciation expense, (ii) $969,000 of accretion expense comprised of $125,000 for our asset retirement obligations and $844,000 for our restructuring charges for certain leasehold interests recorded in 2004 and 2005 as we accrete the related liabilities to the total estimated future cash payments needed, (iii) $631,000 of stock-based compensation as a result of our adoption of SFAS 123(R) in the first quarter of 2006 and (iv) $131,000 of amortization expense associated with the intangible assets acquired with our Ashburn campus. U.S. cost of revenues for the three months ended March 31, 2005 included (i) $13.5 million of depreciation expense and (ii) $343,000 of accretion expense comprised of $119,000 for our asset retirement obligations and $224,000 for our restructuring charges. Our U.S. cost of revenues for the three months ended March 31, 2006 also included $1.6 million of additional operating costs not incurred in the prior year associated with the recently acquired IBX centers in Sunnyvale, Chicago and Los Angeles which will be available to customers later in 2006. Excluding depreciation, accretion expense, stock-based compensation, amortization expense and the costs associated with operating our new IBX centers, U.S. cost of revenues increased period over period to $19.4 million for the three months ended March 31, 2006 from $18.1 million for the three months ended March 31, 2005, a 7% increase. This increase is primarily the result of increasing utility costs in line with increasing customer installations and revenues attributed to customer growth partially offset by a reduction of (i) approximately $1.4 million in operating costs, primarily rent and property taxes, in connection with a property we recorded a restructuring charge for in San Jose in the fourth quarter of 2005 and (ii) approximately $530,000 in rent expense as a result of our October 2005 purchase of the Ashburn campus property where our primary Washington, D.C. metro area IBX center is located. We continue to anticipate that our cost of revenues will increase in the foreseeable future to the extent that the occupancy levels in our U.S. IBX centers increase and as newly-acquired IBX centers in the Silicon Valley, Chicago and Los Angeles metro areas commence operations more fully in 2006.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues were $5.4 million for the three months ended March 31, 2006 as compared to $5.0 million for the three months ended March 31, 2005. Asia-Pacific cost of revenues for the three months ended March 31, 2006 included (i) $884,000 of depreciation expense, (ii) $127,000 of stock-based compensation as a result of our adoption of SFAS 123(R) in the first quarter of 2006 and (iii) $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 March 31, 2005 included (i) $1.0 million of depreciation expense and (ii) $65,000 of non-cash rent expense. Excluding depreciation, stock-based compensation and non-cash rent expense, Asia-Pacific cost of revenues increased period over period to $4.3 million for the three months ended March 31, 2006 from $3.9 million for the three months ended March 31, 2005, a 12% 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 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. We anticipate that our Asia-Pacific cost of revenues will experience moderate growth in the foreseeable future.

Sales and Marketing. Sales and marketing expenses increased to $7.2 million for the three months ended March 31, 2006 from $4.8 million for the three months ended March 31, 2005.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses increased to $6.3 million for the three months ended March 31, 2006 from $4.1 million for the three months ended March 31, 2005. Included in U.S. sales and marketing expenses for the three months ended March 31, 2006 were $1.7 million 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 March 31, 2005 was $447,000 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 our adoption of SFAS 123(R) in the first quarter of 2006. Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses increased to $4.5 million for the three months ended March 31, 2006 as compared to $3.7 million for the three months ended March 31, 2005, a 22% 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 was primarily due to (i) approximately $400,000 of higher compensation costs, including increases in sales compensation related to strong new customer bookings throughout 2005 and 2006 and general salary increases and bonuses for our marketing staff and non-commissioned sales staff and (ii) approximately $250,000 of higher travel and entertainment costs. Going forward, we expect to see U.S. sales and marketing spending to increase nominally in absolute dollars as we continue to grow our business.

Asia-Pacific Sales and Marketing Expenses. Asia-Pacific sales and marketing expenses increased to $947,000 for the three months ended March 31, 2006 as compared to $664,000 for the three months ended March 31, 2005. Included in Asia-Pacific sales and marketing expenses for the three months ended March 31, 2006 was $150,000 of stock-based compensation as a result of our adoption of SFAS 123(R) commencing in the first quarter of 2006. Excluding stock-based compensation, Asia-Pacific sales and marketing expenses were $797,000 for the three months ended March 31, 2006 versus $664,000 for the three months ended March 31, 2005, a 20% increase. This increase was primarily due to an increase in bad debt expense of approximately $77,000 over the prior period as a result of recoveries of bad debt expense recorded during the three months ended March 31, 2005 (negative bad debt expense) of approximately $58,000 due to a strong and successful collections effort on aged receivables previously written-off. Our Asia-Pacific sales and marketing expenses consist of the same types 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 $17.1 million for the three months ended March 31, 2006 from $10.5 million for the three months ended March 31, 2005.

U.S. General and Administrative Expenses. U.S. general and administrative expenses increased to $13.9 million for the three months ended March 31, 2006 as compared to $8.6 million for the three months ended March 31, 2005. Included in U.S. general and administrative expenses for the three months ended March 31, 2006 were $4.6 million of stock-based compensation expense and $485,000 of depreciation expense. Included in U.S. general and administrative expenses for the three months ended March 31, 2005 were $2.0 million of stock-based compensation expense and $347,000 of depreciation expense. The increase in the stock-based compensation expense period over period is a result of our adoption of SFAS 123(R) in the first quarter of 2006. Excluding stock-based compensation expense and depreciation expense, U.S. general and administrative expenses increased to $8.8 million for the three months ended March 31, 2006, as compared to $6.2 million for the prior period, a 42% increase. This increase is primarily due to (i) approximately $1.3 million of higher compensation costs, including general salary increases, bonuses and headcount growth (173 U.S. general and administrative employees as of March 31, 2006 versus 132 as of March 31, 2005), and (ii) an increase in professional fees of approximately $900,000 due primarily to increased accounting fees and other consulting projects in connection with our growth strategies. 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 U.S. general and administrative spending to increase as we continue to scale our operations to support our growth, such as the expansion of our corporate headquarters office in Foster City, California, during the first half of 2006 to accommodate our increased headcount.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses increased to $3.2 million for the three months ended March 31, 2006 as compared to $1.9 million for the three months ended March 31, 2005. Included in Asia-Pacific general and administrative expenses for the three months ended March 31, 2006 was (i) $538,000 of stock-based compensation as a result of our adoption of SFAS 123(R) in the first quarter of 2006 and (ii) $66,000 of depreciation expense. Included in Asia-Pacific general and administrative expenses for the three months ended March 31, 2005 was $84,000 of depreciation expense. Excluding stock-based compensation and depreciation, Asia-Pacific general and administrative expenses increased to $2.6 million for the three months ended March 31, 2006, as compared to $1.8 million for the prior period, a 43% increase. This increase is primarily due to approximately $800,000 of higher compensation costs, including general salary increases, bonuses and headcount growth (87 Asia-Pacific general and administrative employees as of March 31, 2006 versus 80 as of March 31, 2005), as well as an increase in employer taxes resulting from the taxation imposed by the Singapore tax authorities on one of our former executives exiting the country. Our Asia-Pacific general and administrative expenses consist of the same types 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., such as finance, legal, marketing and information technology, also reside in our Singapore office in order to support our Asia-Pacific operations; however, each of our Asia-Pacific locations in Hong Kong, Sydney and Tokyo also have general and administrative staff dedicated to each specific operation. In addition to our Asia-Pacific headquarter office in Singapore, we also have separate office locations in Tokyo and Hong Kong (the Sydney general and administrative staff work out of the Sydney IBX). We expect that our Asia-Pacific general and administrative expenses will experience some moderate growth in the foreseeable future.

Restructuring Charges. During the year ended December 31, 2005, we recorded a restructuring charge of $33.8 million for an excess lease, which we refer to as the 2005 restructuring charge. During the year ended December 31, 2004, we recorded a restructuring charge of $17.7 million for two excess leases, which we refer to as the 2004 restructuring charge. As of December 31, 2005, we had total accrued restructuring charges of $49.8 million recorded as a liability on our balance sheet related to both the 2005 and 2004 restructuring charges described above. During the three months ended March 31, 2006, we (i) recorded $844,000 of accretion expense related to these excess leases and (ii) incurred net cash payments of $2.9 million related to these excess leases resulting in an accrued restructuring charge liability on our balance sheet of $47.7 million as of March 31, 2006. We are contractually committed to these excess leases through 2015. For further detailed information on our restructuring charges, see Note 14 of our "Notes to Condensed Consolidated Financial Statements" in Item 1 of this Quarterly Report on Form 10-Q.

Interest Income. Interest income increased to $1.6 million from $667,000 for the three months ended March 31, 2006 and 2005, 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 increased interest rates. The average yield for the three months ended March 31, 2006 was 4.15% versus 2.57% for the three months ended March 31, 2005.

Interest Expense. Interest expense increased to $3.9 million from $2.5 million for the three months ended March 31, 2006 and 2005, respectively. During the quarter ended March 31, 2005, we converted 95% of the outstanding 14% convertible secured notes and unpaid interest totaling $38.0 million 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. In addition, STT Communications converted the remaining 5% of the outstanding 14% convertible secured notes and unpaid interest totaling $2.2 million into 240,578 shares of our preferred stock, which was immediately converted into 240,578 shares of our common stock in November 2005. These conversion activities resulted in a decrease in interest expense over 2005; however, these decreases were more than offset by increases in interest expense associated with (i) the $18.7 million financing we recorded in connection with the Silicon Valley metro area IBX center equipment and fiber purchase during the first quarter of 2005, which bears interest at 8.50%; (ii) the $9.7 million financing for equipment we purchased in connection with our Chicago IBX acquisition in November 2005, which bears interest at 7.50%; (iii) the $38.1 million financing we recorded in connection with our Los Angeles IBX financing in December 2005, which bears interest at 7.75% and (iv) the $60.0 million mortgage payable we recorded in connection with our Ashburn campus financing in December 2005, which bears interest at 8.00%. Furthermore, in connection with various construction projects related to our IBX expansion efforts during the three months ended March 31, 2006, we capitalized $263,000 of interest expense to construction in progress. We did not capitalize any interest during the three months ended March 31, 2005.

Income Taxes. A full valuation allowance is recorded against our net deferred tax assets as management cannot conclude, based on available objective evidence including recurring historical losses, that it is more likely than not that the net value of our deferred tax assets will be realized. However, for the three months ended March 31, 2006 and 2005, we recorded $385,000 and $505,000, respectively, of income tax expense, primarily representing income taxes related to alternative minimum tax and foreign jurisdictions. We have not incurred any significant income tax expense since inception and we do not expect to incur any significant income tax expense during 2006 other than alternative minimum tax.

Cumulative Effect of a Change in Accounting Principle. As a result of our adoption of SFAS No. 123(R), "Share-Based Payment," during the three months ended March 31, 2006, we recorded a reduction of expense totaling $376,000, which is reflected as a cumulative effect of a change in accounting principle on our statement of operations for this period. This amount reflects the application of an estimated forfeiture rate to partially vested employee equity awards as of January 1, 2006 that we accounted for under APB 25, which was primarily for restricted stock awards to our executive officers that were granted during the first quarter of 2005.

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 approximately $1.2 billion. As of March 31, 2006, our total indebtedness was comprised of (i) non-convertible debt and financing obligations totaling $155.6 million from our Washington D.C. metro area IBX capital lease, San Jose IBX equipment and fiber financing, Chicago IBX equipment financing, Los Angeles IBX financing and Ashburn campus mortgage payable and (ii) convertible debt totaling $86.3 million from our convertible subordinated debentures as outlined below.

As of March 31, 2006, our principal source of liquidity was our $162.2 million of cash, cash equivalents and short-term and long-term investments. In addition, as of March 31, 2006, we had $43.3 million of additional liquidity available to us under our $50.0 million Silicon Valley Bank revolving credit line 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 with the quarter ended September 30, 2003 we started to generate positive operating cash flow. Since then, we have generated cash flow from our operations throughout 2004 and 2005 and expect this trend to continue throughout 2006 and beyond. While we expect that our cash flow from operations will continue to grow, due to our recently announced expansion plans in the Washington, D.C. and Chicago metro areas, we expect our cash flow used in investing activities, primarily as a result of our expected purchases of property and equipment to complete these expansion projects, will also increase and be greater than our cash flows generated from operating activities. As a result, although we believe we have sufficient cash, coupled with anticipated cash generated from operating activities, to meet our currently identified business objectives for at least the next twelve months, we will investigate financing opportunities in connection with our Chicago metro area expansion plans in order to minimize expected cash outlays to pursue this project and in order to continue to meet our cash requirements to fund our other capital expenditures, debt service and corporate overhead requirements (excluding the purchases, sales and maturities of our short-term and long-term investments). However, given our limited operating history, additional potential expansion opportunities that we may decide to pursue and other business risks that may cause our operating results to fluctuate, we may not achieve our desired levels of profitability or cash requirements in the future. For further information, refer to “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q below.

Sources and Uses of Cash

Net cash provided by our operating activities was $12.8 million and $15.4 million for the three months ended March 31, 2006 and 2005, respectively. While we continue to experience strong collections of our accounts receivable, we incurred an increase in payments during the three months ended March 31, 2006 over the prior period, primarily related to additional restructuring charge payments of $2.5 million as a result of our 2005 restructuring charge. While we expect that this increased level of restructuring charge payments will have an impact on our ability to grow our cash from operating activities, we expect that we will continue to generate cash from our operating activities throughout 2006 and beyond.

Net cash used in our investing activities was $35.6 million for the three months ended March 31, 2006. Net cash generated from our investing activities was $1.8 million for the three months ended March 31, 2005. Net cash used in investing activities for the three months ended March 31, 2006 was primarily the result of the capital expenditures required to bring our recently acquired IBX centers in the Silicon Valley, Chicago and Los Angeles metro areas to Equinix standards, the Washington, D.C. metro area IBX expansion project and to support our growing customer base, as well as the net purchases of our short-term and long-term investments. Net cash provided by investing activities during the three months ended March 31, 2005 was primarily the result of the net sales and maturities of our short-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. For 2006 and beyond, we anticipate that our cash used in investing activities, excluding the purchases, sales and maturities of short-term and long-term investments, will primarily be for our capital expenditures as well as additional purchases of real estate that we may undertake in the future. In February 2006, we announced the Chicago metro area IBX expansion project in which we may purchase a vacant building for $9.8 million, payable upon closing. If we purchase this building, additional significant capital expenditures would be required in order to build out a new IBX center on this property.

Net cash used by financing activities was $15.5 million for the three months ended March 31, 2006. Net cash provided by financing activities was $1.1 million for the three months ended March 31, 2005. Net cash used for the three months ended March 31, 2006, was primarily due to the repayment of the $30.0 million drawdown from the $50.0 million Silicon Valley Bank revolving credit line that we borrowed in October 2005 and principal payments for our capital lease and other financing obligations and Ashburn campus mortgage payable offset by proceeds from the exercises of employee stock options and purchases from our employee stock purchase plan. Net cash provided by financing activities for the three months ended March 31, 2005, was primarily the result of proceeds from the exercises of employee stock options and purchases from our employee stock purchase plans, offset by principal payments for our capital lease and other financing obligations.

Debt Obligations – Non-Convertible Debt

As of March 31, 2006, our non-convertible debt totaled $155.6 million and was comprised of our (i) Washington D.C. metro area IBX capital lease, (ii) San Jose IBX equipment and fiber financing, (iii) Chicago IBX equipment financing, (iv) Los Angeles IBX financing and (v) Ashburn campus mortgage payable. Furthermore, as of March 31, 2006, we had utilized $6.7 million of the credit line through the issuance of letters of credit, and, as a result, we had $43.3 million of additional liquidity available to us under the $50.0 million Silicon Valley Bank revolving credit line.

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 our existing Washington D.C. metro area IBX center. 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 will be made monthly through October 2019 at an effective interest rate of 8.50% per annum. As of March 31, 2006, principal of $34.3 million remained outstanding under this capital lease.

San Jose IBX Equipment and Fiber Financing. 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 U.S. 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. 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 a financing obligation, totaling $18.7 million. Payments under this financing obligation will be made monthly through May 2020 at an effective interest rate of 8.50% per annum. As of March 31, 2006, principal of $14.9 million remained outstanding under this financing obligation.

Chicago IBX Equipment Financing. In July 2005, we entered into a long-term sublease for a 107,000 square foot data center in Chicago, and at the same time entered into a separate agreement to purchase the equipment located within this IBX center. Under U.S. generally accepted accounting principles, these two 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 portion of the transaction is classified as financed assets. We took possession of this property and title to the equipment assets in November 2005, and as a result, recorded IBX equipment assets, as well as a financing obligation, totaling $9.7 million at that time. Payments under this financing obligation will be made monthly through August 2015 at an effective interest rate of 7.50% per annum. As of March 31, 2006, principal of $8.5 million remained outstanding under this financing obligation.

Los Angeles IBX Financing. In September 2005, we purchased a 107,000 square foot data center in the Los Angeles metro area for $34.7 million, which we paid for in full with cash in September 2005. In October 2005, we entered into a purchase and sale agreement to sell this Los Angeles IBX for $38.7 million and to lease it back from the purchaser pursuant to a long-term lease, which closed in December 2005, and we received net proceeds from the sale of this property of $38.1 million. However, due to our continuing involvement in regards to certain aspects of this property, the sale and leaseback of this property does not qualify as a sale-leaseback under generally accepted accounting principles, but rather is accounted for as a financing of the property. We refer to this portion of the transaction as the Los Angeles IBX financing. Pursuant to the Los Angeles IBX financing, we recorded a financing obligation liability totaling $38.1 million in December 2005. Payments under the Los Angeles IBX financing will be made monthly through December 2025 at an effective interest rate of 7.75% per annum. As of March 31, 2006, principal of $38.1 million remained outstanding under this financing obligation.

Ashburn Campus Mortgage Payable. In December 2005, we completed the financing of our October 2005 purchase of the Ashburn campus property with a $60.0 million mortgage to be amortized over 20 years. Upon receipt of the $60.0 million of cash, which we received in December 2005, we recorded a $60.0 million mortgage payable, which we refer to as the Ashburn campus mortgage payable. Payments under the Ashburn campus mortgage payable will be made monthly through January 2026 at an effective interest rate of 8% per annum. As of March 31, 2006, principal of $59.8 million remained outstanding under this mortgage payable.

$50.0 Million Silicon Valley Bank Revolving Credit Line. In December 2004, we entered into a $25.0 million line of credit arrangement with Silicon Valley Bank that matured in December 2006. In September 2005, we amended the Silicon Valley Bank credit line by entering into a $50.0 million revolving line of credit agreement with Silicon Valley Bank, replacing the previously outstanding $25.0 million line of credit arrangement with the same bank. The new $50.0 million Silicon Valley Bank revolving credit line has a three-year commitment, which enables us to borrow, repay and re-borrow the full amount, up to September 15, 2008. We refer to this transaction as the $50.0 million Silicon Valley Bank revolving credit line. Borrowings under the $50.0 million Silicon Valley Bank revolving credit line bear interest at floating interest rates, plus applicable margins, based either on the prime rate or LIBOR. In October 2005, we elected to borrow $30.0 million from the $50.0 million Silicon Valley Bank revolving credit line, which we refer to as the $30.0 million drawdown and which we paid back in full in January 2006. The $30.0 million drawdown was used to fund a portion of the purchase of the Ashburn IBX property acquisition. As of March 31, 2006, the $50.0 million Silicon Valley Bank revolving credit line had an interest rate of 7.33% per annum. The $50.0 million Silicon Valley Bank revolving 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 $50.0 million Silicon Valley Bank revolving credit line during the period that such sublimits remain utilized and outstanding. As of March 31, 2006, we had utilized $6.7 million under the letters of credit sublimit with the issuance of five letters of credit and, as a result, reduced the amount of borrowings available to us from $50.0 million to $43.3 million. The $50.0 million Silicon Valley Bank revolving credit line is collateralized by substantially all of our domestic assets and contains several financial covenants, which require compliance with maximum leverage ratios, working capital ratios and a minimum EBITDA target, each of which we were in compliance with as of March 31, 2006.

Debt Obligations – Convertible Debt

Convertible Subordinated Debentures. During February 2004, we sold $86.3 million in aggregate principal amount of 2.5% convertible subordinated debentures due 2024 to qualified institutional buyers. The interest on the convertible subordinated debentures is payable semi-annually every February and August, which commenced August 2004, and is payable in cash. Our convertible subordinated debentures are convertible into 2.2 million shares of our common stock.

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

Debt Maturities, Financings, Leases and Other Contractual Commitments

We lease our IBX centers and certain equipment under non-cancelable lease agreements expiring through 2025. The following represents our debt maturities, financings, leases and other contractual commitments as of March 31, 2006 (in thousands):

	Convertible subordinated debentures	Mortgage payable	Capital lease and other financing obligations	Operating leases covered under accrued restructuring charges	Operating leases (1)	Other contractual commitments (1)	Total
2006 (nine months)	$ —	$ 4,517	$ 6,988	$ 10,304	$ 20,232	$ 65,773	$ 107,814
2007	—	6,022	9,568	13,954	26,398	78	56,020
2008	—	6,022	9,842	13,262	26,194	—	55,320
2009	86,250	6,022	10,122	13,309	26,557	—	142,260
2010	—	6,022	10,409	3,357	26,237	—	46,025
2011 and thereafter	—	90,838	128,355	16,607	111,853	—	347,653
	86,250	119,443	175,284	70,793	237,471	65,851	755,092
Less amount representing interest	—	(59,648)	(85,998)	—	—	—	(145,646)
Plus amount representing residual property value	—	—	6,555	—	—	—	6,555
Less amount representing estimated subrental income and expense	—	—	—	(15,228)	—	—	(15,228)
Less amount representing accretion	—	—	—	(7,847)	—	—	(7,847)
	$ 86,250	$ 59,795	$ 95,841	$ 47,718	$237,471	$ 65,851	$ 592,926

(1) Represents off-balance sheet arrangements. Other contractual commitments are described below.

In connection with five of our IBX operating leases, we have entered into five 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 $50.0 million Silicon Valley Bank revolving credit line. The letters of credit total $6.7 million, are collateralized by the $50.0 million Silicon Valley Bank revolving credit line and automatically renew in successive one-year periods until the final lease expiration dates. If the landlords for any of these five IBX leases decide to draw down on these letters of credit, we will be required to fund these letters of credit either through cash collateral or borrowings under the $50.0 million Silicon Valley Bank revolving credit line. This contingent commitment is not reflected in the table above.

Primarily as a result of our recent IBX expansions in the Washington D.C., Silicon Valley, Chicago and Los Angeles metro areas, as of March 31, 2006, we were contractually committed for $55.3 million of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided, in connection with the work necessary to open these IBX centers prior to making them available to customers for installation. This amount, which is expected to be paid in 2006, is reflected in the table above as an “other contractual commitment.” In addition, although we are not contractually obligated to do so, we expect to incur additional capital expenditures beyond the $55.3 million contractually committed as of March 31, 2006 in these four markets during the remainder of 2006 of approximately $9.0 to $11.0 million in order to complete the work needed to bring these new IBXs up to Equinix standards. This non-contractual capital expenditure spending is not reflected in the table above. Lastly, we have other, smaller future purchase commitments in place as of March 31, 2006, such as commitments to purchase power in select locations, primarily in the U.S. and Singapore, through 2006 and 2007, and other open purchase orders which contractually bind us for goods or services to be delivered or provided later in 2006 and 2007. Such other purchase commitments as of March 31, 2006, which total $10.6 million, are also reflected in the table above as an “other contractual commitment.”

In February 2006, we entered into a definitive purchase and sale agreement to purchase a vacant 228,000 square foot stand-alone office/warehouse complex in the Chicago metro area for $9.8 million, payable upon closing, except for $700,000, which we paid in March 2006, in the form of a refundable deposit. The agreement is subject to numerous closing conditions, including the satisfactory completion by us of a comprehensive due diligence review of the property. As part of the evaluation process, we are considering several partnering and financing options for building out this center and are also evaluating options to build out this center in a phased approach. The new center would be interconnected to our downtown Chicago IBX center through redundant dark fiber links managed by us. We refer to this project as the Chicago metro area IBX expansion project. If we purchase this building, additional significant capital expenditures would be required in order to build out a new IBX center on this property. In April 2006, we paid a $100,000 nonrefundable deposit to extend the due diligence period for the Chicago metro area IBX expansion project to May 2006. This contingent commitment is not reflected in the table above.

Summary

Our utilization rate represents the percentage of our cabinet space billing versus total cabinet space available. Our utilization rate grew to 57% as of March 31, 2006 from 45% as of March 31, 2005. Although we have substantial capacity for growth, our utilization rates vary from market to market among our IBX centers in the eleven markets across the U.S. and Asia-Pacific. 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. As a result of these power limitations in our existing IBX centers, the maximum utilization rate that we expect to achieve for most IBX centers until we consider an IBX center full or sold-out is approximately 75-80% depending on the building configurations.

Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service offerings, 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 metro area markets, our 2005 expansions in the Silicon Valley, Chicago and Los Angeles metro area markets opening in 2006 and our 2006 announcements on our intention to build new IBX centers in the Washington, D.C. and Chicago metro areas. However, we will continue to be very selective with any similar opportunity. As was the case with these recent expansions in the Washington, D.C., Silicon Valley, Chicago and Los Angeles area markets, our expansion criteria will be dependent on 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 break-even and in-place customers. Like our recent expansions, the right combination of these factors may be attractive to us. Dependent on the particular deal, these acquisitions may require upfront cash payments and additional capital expenditures or may be funded through long-term financing arrangements in order to bring these centers up to Equinix standards. Property expansion may be in the form of a purchase of real property, as was the case with our recent Ashburn campus property acquisition, or a long-term leasing arrangement.

In addition to our successful strategy of acquiring previously or partially built-out centers, we are also contemplating the possibility of new construction in selective markets where the inventory for high quality data centers is limited, such as our recent announcements on our intention to build new IBX centers in the Washington, D.C. and Chicago metro areas. Decisions to build will consider factors such as customer demand, market pricing and the financial returns associated with the construction. Future purchases or construction may be completed by us or with partners or potential customers to minimize the outlay of cash.

As of March 31, 2006, our principal source of liquidity was our $162.2 million of cash, cash equivalents and short-term and long-term investments. In addition, as of March 31, 2006, we had $43.3 million of additional liquidity available to us under our $50.0 million Silicon Valley Bank revolving credit line 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 with the quarter ended September 30, 2003 we started to generate positive operating cash flow. Since then, we have generated cash flow from our operations throughout 2004 and 2005 and expect this trend to continue throughout 2006 and beyond. While we expect that our cash flow from operations will continue to grow, due to our recently announced expansion plans in the Washington, D.C. and Chicago metro areas, we expect our cash flow used in investing activities, primarily as a result of our expected purchases of property and equipment to complete these expansion projects, will also increase and are expected to be greater than our cash flows generated from operating activities. As a result, although we believe we have sufficient cash, coupled with anticipated cash generated from operating activities, to meet our currently identified business objectives for at least the next twelve months, we will investigate financing opportunities in connection with our Chicago metro area expansion plans in order to minimize expected cash outlays to pursue this project and in order to continue to meet our cash requirements to fund our other capital expenditures, debt service and corporate overhead requirements (excluding the purchases, sales and maturities of our short-term and long-term investments). However, given our limited operating history, additional potential expansion opportunities that we may decide to pursue and other business risks that may cause our operating results to fluctuate, we may not achieve our desired levels of profitability or cash requirements in the future.

Recent Accounting Pronouncements

In September 2005, the FASB approved EITF Issue 05-7, “Accounting for Modifications to Conversion Options Embedded in Debt Securities and Related Issues” (“EITF 05-7”). EITF 05-7 addresses that the change in the fair value of an embedded conversion option upon modification should be included in the analysis under EITF Issue 96-19, “Debtor’s Accounting for a Modification or Exchange of Debt Instruments,” to determine whether a modification or extinguishment has occurred and that changes to the fair value of a conversion option affects the interest expense on the associated debt instrument following a modification. Therefore, the change in fair value of the conversion option should be recognized upon the modification as a discount or premium associated with the debt, and an increase or decrease in additional paid-in capital. EITF 05-7 is effective for all debt modifications in annual or interim periods beginning after December 15, 2005. The adoption of EITF 05-7 has not had a significant impact on our financial position and results of operations.

In September 2005, the FASB approved EITF Issue 05-8, “Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature” (“EITF 05-8”). EITF 05-8 addresses that (i) the recognition of a beneficial conversion feature creates a difference between the book basis and tax basis (“basis difference”) of a convertible debt instrument, (ii) that basis difference is a temporary difference for which a deferred tax liability should be recorded and (iii) the effect of recognizing the deferred tax liability should be charged to equity in accordance with SFAS No. 109. EITF 05-8 is effective for financial statements for periods beginning after December 15, 2005, and must be adopted through retrospective application to all periods presented. As a result, EITF 05-8 applies to debt instruments that were converted or extinguished in prior periods as well as to those currently outstanding. The adoption of EITF 05-8 has not had a significant impact on our financial position, results of operations and cash flows.

In October 2005, the FASB issued FASB Staff Position No. SFAS 13-1 (“FSP SFAS 13-1”), which addresses the accounting for rental costs associated with building and ground operating leases that are incurred during a construction period. The FASB decided that such rental costs incurred during a construction period shall be recognized as rental expense. A lessee should cease capitalizing rental costs as of the effective date of FSP SFAS 13-1. The guidance in FSP SFAS 13-1 shall be applied to the first reporting period beginning after December 15, 2005. Early adoption is permitted for financial statements or interim financial statements that have not yet been issued. A lessee shall cease capitalizing rental costs as of the effective date of FSP SFAS 13-1 for operating lease arrangements entered into prior to the effective date of FSP SFAS 13-1. The adoption of FSP SFAS 13-1 has not had a significant impact on our financial position, results of operations or cash flows as our accounting policy for such rental costs has always been to expense such costs.

In November 2005, the FASB issued FASB Staff Position No. SFAS 115-1 and SFAS 124-1 ("FSP SFAS 115-1 and 124-1"), which addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. FSP SFAS 115-1 and 124-1 also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in FSP SFAS 115-1 and 124-1 amends FASB Statements No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," and APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." The guidance in FSP SFAS 115-1 and 124-1 shall be applied to the first reporting period beginning after December 15, 2005. The adoption of FSP SFAS 115-1 and 124-1 has not had a significant impact on our financial position, results of operations and cash flows.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Instruments," an amendment of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities-a replacement of FASB Statement No. 125." SFAS No. 155 improves the financial reporting of certain hybrid financial instruments by requiring more consistent accounting that eliminates exemptions and provides a means to simplify the accounting for such instruments. Specifically, SFAS No. 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 also (i) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133; (ii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (iii) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and (iv) amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. We are currently in the process of evaluating the impact that the adoption of SFAS No. 155 will have on our financial position, results of operations and cash flows.

In April 2006, the FASB issued FASB Staff Position No. FIN 46(R)-6 ("FSP FIN 46(R)-6"), which addresses how a reporting enterprise should determine the variability to be considered in applying FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", as amended ("FIN 46(R)"). The variability that is considered in applying FIN 46(R) affects the determination of (a) whether the entity is a variable interest entity, (b) which interests are variable interests in the entity and (c) which party, if any, is the primary beneficiary of the variable interest entity. That variability will affect any calculation of expected losses and expected residual returns, if such a calculation is necessary. FSP FIN 46(R)-6 provides additional guidance to consider for determining variability. FSP FIN 46(R)-6 is effective beginning the first day of the first reporting period beginning after June 15, 2006. We are currently in the process of evaluating the impact that the adoption of FSP FIN 46(R)-6 will have on our financial position, results of operations and cash flows.

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 or loss. 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 March 31, 2006 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 approximately $286,000.

An immediate 10% increase or decrease in current interest rates would furthermore not have a material impact on our debt obligations due to the fixed nature of the majority of our debt obligations. However, the interest expense associated with our $50.0 million revolving credit line, which bears interest at floating rates, plus applicable margins, based on either the prime rate or LIBOR, could be affected. In October 2005, we elected to borrow $30.0 million at a one-month LIBOR interest rate, inclusive of the applicable margin, of 5.72% per annum. Upon the one-month maturity date of the $30.0 million drawdown, we had the opportunity to either repay all or a portion of the $30.0 million drawdown, or convert the $30.0 million drawdown into a new borrowing at either the then applicable one, three or six month LIBOR rate plus an applicable margin or at the prime rate. We elected to continue rolling this drawdown forward in monthly increments at the then applicable one-month LIBOR interest rates, inclusive of the applicable margin, until such time that we decided to repay the $30.0 million drawdown in full in January 2006 at which point the effective interest rate had risen to 6.12%. As of March 31, 2006, the $50.0 million revolving credit line had an effective interest rate of 7.33%. Therefore, any borrowings from our $50.0 million revolving credit line are subject to interest rate risk.

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 do 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 March 31, 2006 was approximately $145.3 million versus approximately $98.9 million as of December 31, 2005.

Foreign Currency Risk

The majority of our recognized revenue is denominated in U.S. dollars, generated mostly from customers in the U.S. However, approximately 13% of our revenues and costs are in the Asia-Pacific region, and a large portion of those revenues and costs are 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 are impacted by currency fluctuations relative to the U.S. dollar. Going forward, we continue to expect that approximately 13-15% 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.

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.

In addition, as we now intend to start building new, "greenfield" IBX centers, we will be subject to commodity price risk for building materials related to the construction of these IBX centers, such as steel and copper. In addition, the lead-time to procure certain pieces of equipment, such as generators, is substantial. Any delays in procuring the necessary pieces of equipment for the construction of our IBX centers could delay the anticipated openings of these new IBX centers and, as a result, increase the cost of these projects.

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 our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "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 and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 against us and the 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 us, 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 us, 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 us and the individual defendants and our agreeing to assign away, not assert, or release certain potential claims we may have against our 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. On April 20, 2006, JPMorgan Chase and the plaintiffs reached a preliminary agreement for a settlement for $425 million. The JPMorgan Chase settlement has not yet been approved by the Court. However, if it is finally approved, then the maximum amount that the issuers' insurers will be potentially liable for is $575 million. 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 us. However, if the JPMorgan Chase settlement is finally approved, Equinix's maximum financial obligation to the plaintiffs pursuant to the settlement agreement would be less than $2 million. We have 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. Those modifications have been made. On March 20, 2006, the Underwriter Defendants submitted objections to the settlement to the Court. The Court held a hearing regarding these and other objections to the settlement at a fairness hearing on April 24, 2006, but has not yet issued a ruling. There is no assurance that the court will grant final approval to the settlement. As approval by the Court cannot be assured, we are unable at this time to determine whether the outcome of the litigation would have a material impact on our 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 initial public offering 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. The Underwriter Defendants sought leave to appeal the class certification decision and the Second Circuit has accepted the appeal. 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 1A. Risk Factors

In addition to the other information contained 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 we have generated cash from operations since the quarter ended September 30, 2003, for the years ended December 31, 2005, 2004 and 2003, we incurred net losses of $42.6 million, $68.6 million and $84.2 million, respectively. For the three months ended March 31, 2006, we incurred additional net losses of $5.1 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 profitability. Although our goal is to achieve profitability, even without giving effect to the expensing of stock-based compensation, there can be no guarantee that we will become profitable, and we 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 fluctuations 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:

- financing or other expenses related to the acquisition, purchase or construction 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;
- costs associated with the write-off or exit of unimproved or underutilized property;
- 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 required for new and future centers to open or become fully utilized;
- competition in the markets in which we operate;
- conditions related to international operations;
- increasing repair and maintenance expenses in connection with aging IBX centers;
- not enough available capacity in our existing IBX centers to book new revenue or delays in opening up new or acquired IBX centers may delay our ability to book new revenue in markets which have otherwise reached capacity;
- the timing and magnitude of other 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 we have experienced growth in revenues in recent quarters, this growth rate is not necessarily indicative of future operating results. It is possible that we 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 our 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.

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 our combination with i-STT Pte. Ltd. and Pihana Pacific, Inc. in 2002, which we call 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.

We are 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 and December 31, 2005, in the course of our ongoing evaluation of our internal controls over financing reporting, we have identified certain areas which we would like to improve 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, 2005, 2004 and 2003, we recognized 13%, 13% and 15%, respectively, of our revenues outside North America. For the three months ended March 31, 2006, we recognized 14% of our revenues outside North America. We anticipate that, for the foreseeable future, a significant part of our revenues will be derived from sources outside North America.

To date, the neutrality of our 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 reduces 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 our revenues and costs have been denominated in U.S. dollars; however, the majority of revenues and costs in our international operations have been denominated in Singapore dollars, Japanese yen and Australia and Hong Kong dollars. Although we have in the past and may decide to undertake foreign exchange hedging transactions in the future to reduce foreign currency transaction exposure, we do 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 evolving governmental regulation with which we have little experience.

We are continuing to invest in our expansion efforts but may not have sufficient customer demand in the future to realize expected returns on these investments.

We are considering the acquisition or lease of additional properties, including construction of new IBX centers. We will be required to commit substantial operational and financial resources to these IBX centers, generally 12-18 months in advance of securing customer contracts, and we may not have sufficient customer demand in those markets to support these centers once they are built. In addition, unanticipated technological changes could affect customer requirements for data centers and we may not have built such requirements into our new IBX centers. Any of these contingencies, if they were to occur, could make it difficult for us to realize expected or reasonable returns on these investments.

We may begin construction of new IBX centers which could involve significant risks to our business.

We believe that most of the pre-existing built-out data centers have already been acquired, and that there are few if any viable distressed assets available for us to acquire in our key markets today. In order to sustain our growth in these markets, we may begin to acquire suitable land with or without structures and build our new IBX centers from the ground up (a "greenfield" build). A greenfield build involves substantial planning and lead-time, much longer time to completion than we have currently seen in our recent IBX retrofits of existing data centers, and significantly higher costs of construction, equipment, and materials which could have a negative impact on our returns. A greenfield build also requires us to carefully select and rely on the experience of one or several general contractors and associated subcontractors during the construction process. Should a general contractor or significant subcontractor experience financial or other problems during the construction process, we could experience significant delays, increased costs to complete the project, and other negative impacts to our expected returns. Site selection is also a critical factor in our expansion plans, and there may not be suitable properties available in our markets with the necessary combination of high power capacity and fiber connectivity.

While we may prefer to locate new IBX centers adjacent to our existing locations, we may be limited by the inventory and location of suitable properties as well as the need for adequate power and fiber to the site. In the event we decide to build new IBX centers separate from our existing IBX centers, we may not be able to offer the number of networks that we currently provide in an existing IBX center. Fewer networks available in a new IBX center could result in lower interconnection revenue, lower margins, and could have a negative impact on customer retention over time.

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

We have recently acquired several new IBX centers, and we may seek to acquire additional IBX centers, real estate for development of new IBX centers, complementary businesses, products, services or technologies. As a result of these acquisitions, we may be required to incur additional debt and expenditures and issue additional shares of our common stock to pay for the acquired businesses, products, services or technologies, which will dilute our 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 pre-existing 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 centers 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 prior IBX acquisitions. In fact, we expect acquisition costs, including capital expenditures required to build or render new IBX centers operational, 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.

The increased use of high power density equipment may limit our ability to fully utilize our IBX centers.

Customers are increasing their use of high-density electrical power equipment, such as blade servers, in our IBX centers which has significantly increased the demand for power on a per cabinet basis. Because most of our centers were built several years ago, the current demand for electrical power may exceed the designed electrical capacity in these centers. As electrical power, not space, is typically the limiting factor in our IBX data centers, our ability to fully utilize our IBX centers may be limited in these centers. The availability of sufficient power may also pose a risk to the successful operation of our new IBX centers. The ability to increase the power capacity of an IBX, should we decide to, is dependent on several factors including, but not limited to, the local utility's ability to provide additional power; the length of time required to provide such power; and/or whether it is feasible to upgrade the electrical infrastructure of an IBX to deliver additional power to customers. Although we are currently designing and building a much higher power specification, there is a risk that demand will continue to increase and our IBX centers could become obsolete sooner than expected.

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 U.S. East Coast in 2004, and limitations, especially internationally, on availability 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 power outages we experienced in our Chicago and Washington, D.C. metro area IBX centers in 2005. In addition, the overall power shortage in California has increased the cost of energy, and although contractual price increase clauses may exist, we may not be able to pass these increased costs 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 electric power our customers draw from their installed circuits. This means that we could face power limitations in our centers. This could have a negative impact on the effective available capacity of a given center and limit our ability to grow our business, which could have a negative impact on our financial performance, operating results and cash flows.

We may also have difficulty obtaining sufficient power capacity for potential expansion sites in new or existing markets. We may experience significant delays and substantial increased costs demanded by the utilities to provide the level of electrical service required by our current IBX center designs.

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.

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

As of March 31, 2006, STT Communications, through its subsidiary, i-STT Investments (Bermuda) Ltd., had voting control over approximately 15% of our outstanding common stock. In addition, STT Communications is not prohibited from buying shares of our stock in public or private transactions. 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.

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, 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 us and our stockholders. We have entered into an agreement with STT Communications and its affiliate pursuant to which we will no longer be bound by the FIRPTA covenant as of September 30, 2009. If we were to breach this covenant, we may be liable for damages to STT Communications.

If regulated materials are discovered at centers leased or owned by us, we may be required to remove or clean-up such materials, the cost of which could be substantial.

We are subject to various environmental and health and safety laws and regulations, including those relating to the generation, storage, handling and disposal of hazardous substances and wastes. Certain of these laws and regulations also impose joint and several liability, without regard to fault, for investigation and cleanup costs on current and former owners and operators of real property and persons who have disposed of or released hazardous substances into the environment. Our operations involve the use of hazardous substances and materials such as petroleum fuel for emergency generators, as well as batteries, cleaning solutions and other materials. In addition, we lease, own or operate real property at which hazardous substances and regulated materials have been used in the past. At some of these locations, hazardous substances or regulated materials are known to be present in soil or groundwater and there may be additional unknown hazardous substances or regulated materials present at sites we own, operate or lease. To the extent any hazardous substances or any other substance or material must be cleaned up or removed from such property, we may be responsible under applicable laws, regulations or leases for the removal or cleanup of such substances or materials, the cost of which could be substantial. In addition, noncompliance with existing, or adoption of more stringent, environmental or health and safety laws and regulations or the discovery of previously unknown contamination could require us to incur costs or become the basis of new or increased liabilities that could be material.

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

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 retain and attract new customers. We are not a telecommunications carrier, and as such we rely on third parties to provide our customers with carrier services. We believe that the availability of carrier capacity will directly affect our ability to achieve our projected results. We rely primarily on revenue opportunities from the telecommunications carriers' customers to encourage them to invest the capital and operating resources required to connect from their centers 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. 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 which could have an adverse effect on our operating results.

Our new IBX centers require construction and operation of a sophisticated redundant fiber network. 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, is materially delayed or is discontinued, or is subject to failure, our operating results and cash flow will be adversely affected. 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 attract new customers to these IBX centers or retain existing customers.

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 our customers' IBX infrastructure and their equipment located in our IBX centers. We continue to acquire IBX centers not built by us. If these 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 centers. The services we provide in each of our IBX centers 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 our 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, including our significant 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, for the year ended December 31, 2005, we recorded $457,000 in service level credits to various customers, primarily associated with two separate power outages that affected our Chicago and Washington, D.C. metro area IBX centers. 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 and revenue reserves may not be adequate. 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 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 and subjecting us to the risk of lawsuits. 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 negatively 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 products and services even if our customers fail to pay us for the products and 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 contract with third party service providers. These services require us to enter into fixed term contracts for services with third party suppliers of products and services. If we experience the loss of a customer who has purchased a resale product, we will remain obligated to continue to pay our suppliers for the term of the underlying contracts. The payment of these obligations without a corresponding payment from customers will reduce our financial resources and may have a material adverse affect on our financial performance and operating results.

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

For the years ended December 31, 2005, 2004 and 2003, IBM accounted for 11%, 13% and 15%, respectively, of our revenues. For the three months ended March 31, 2006, IBM accounted for 10% of our revenues. We expect that IBM will continue to account for a significant portion of our revenue for the foreseeable future. Although the term of our IBM contract runs through 2011, 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 or if it significantly reduces the level of its commitment, 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 those of other 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. Similarly, 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 in which 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. 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 continue to see increased competition for data center space and customers from large real estate investment trusts ("REITS") who also operate in our market. We may experience competition from our landlords, some of which are REITS, 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/REITS may enjoy a cost effective advantage in providing services similar to those provided by our IBXs, and in addition to the risk of losing customers to these parties 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 replace, limit or compete with their existing systems by becoming a customer. Customers may also decide it is cost effective for them to build-out their own data centers which could have a negative impact on our results of operations. 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.

Because we depend on the retention of key employees, failure to maintain stock option incentives may be disruptive to our business.

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. In addition to granting stock options to new hires, we periodically grant new stock options to certain employees as an incentive to remain with the company. To the extent we are unable to adequately maintain these stock option incentives due to stock option expensing or otherwise, 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 are likely to 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. Furthermore, we may expend significant time and resources in pursuing a particular sale or customer that does not result in revenue. Delays due to the length of our sales cycle may materially adversely affect our business, financial condition and results of operations.

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

Since January 1, 2005, our common stock has traded between $31.39 and $64.41 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. Actual sales, or the market's perception with respect to possible 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 by us or others 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;
- announcements by our customers or competitors;
- changes in regulatory policy or interpretation;
- changes in the ratings of our stock by securities analysts;
- purchase or development of real estate and/or additional IBX centers;
- announcements with respect to the operational performance of our IBX centers;
- 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.

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 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 catastrophic events or attacks.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
2.1	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.	Def. Proxy 14A	12/12/02	
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.	10-K/A	12/31/02	
3.2	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.	10-K/A	12/31/02	
3.3	Bylaws of the Registrant.	10-K	12/31/02	
3.4	Certificate of Amendment of the Bylaws of the Registrant.	10-Q	6/30/03	
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4.			
4.10	Registration Rights Agreement (See Exhibit 10.75).			
4.11	Indenture (see Exhibit 10.99).			
10.2	Warrant Agreement, dated as of December 1, 1999, by and among the Registrant and State Street Bank and Trust Company of California, N.A. (as warrant agent).	S-4 (File No. 333-93749)	12/29/99	
10.5	Form of Indemnification Agreement between the Registrant and each of its officers and directors.	S-4 (File No. 333-93749)	12/29/99	
10.9+	Lease Agreement with Carlyle-Core Chicago LLC, dated as of September 1, 1999.	S-4/A (File No. 333-93749)	5/9/00	
10.10+	Lease Agreement with Market Halsey Urban Renewal, LLC, dated as of May 3, 1999.	S-4/A (File No. 333-93749)	2/24/00	
10.11+	Lease Agreement with Laing Beaumeade, dated as of November 18, 1998 and subsequently assigned to Equinix Operating Co., Inc.	S-4/A (File No. 333-93749)	5/9/00	
10.12+	Lease Agreement with Rose Ventures II, Inc., dated June 10, 1999.	S-4/A (File No. 333-93749)	5/9/00	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
10.13+	Lease Agreement with Carrier Central LA, Inc., as successor in interest to 600 Seventh Street Associates, Inc., dated as of August 8, 1999.	S-4/A (File No. 333-93749)	4/20/00	
10.14+	First Amendment to Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of September 9, 1999 and subsequently assigned to Equinix Operating Co., Inc.	S-4/A (File No. 333-93749)	5/9/00	
10.15+	Lease Agreement with Nexcomm Asset Acquisition I, L.P., dated as of January 21, 2000.	S-4/A (File No. 333-93749)	5/9/00	
10.16+	Lease Agreement with TrizecHahn Centers, Inc. (dba TrizecHahn Beaumeade Corporate Management), dated as of December 15, 1999 and subsequently assigned to Equinix Operating Co., Inc.	S-4/A (File No. 333-93749)	2/24/00	
10.23	Purchase Agreement between International Business Machines Corporation and Equinix, Inc. dated May 23, 2000.	S-4/A (File No. 333-93749)	6/2/00	
10.24	2000 Equity Incentive Plan.	S-1 (File No. 333-39752)	6/21/00	
10.25	2000 Director Option Plan.	S-1/A (File No. 333-39752)	7/19/00	
10.27	Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated June 21, 2000.	S-1/A (File No. 333-39752)	8/9/00	
10.28+	Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of July 1, 2000 and subsequently assigned to Equinix Operating Co., Inc.	10-Q	9/30/00	
10.29+	Second Amendment to Lease Agreement with TrizecHahn Beaumeade Technology Center LLC, dated as of May 1, 2000 and subsequently assigned to Equinix Operating Co., Inc.	10-Q	9/30/00	
10.30+	Letter Amendment to Lease Agreement with Carrier Central LA, Inc., as successor in interest to 600 Seventh Street Associates, Inc., dated as of August 24, 2000.	10-Q	9/30/00	
10.31+	Lease Agreement with Burlington Associates III Limited Partnership, dated as of July 24, 2000.	10-Q	9/30/00	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
10.42+	First Amendment to Deed of Lease with TrizecHahn Beaumeade Technology Center LLC, dated as of March 22, 2001 and subsequently assigned to Equinix Operating Co., Inc.	10-Q	6/30/01	
10.43+	First Lease Amendment Agreement with Market Halsey Urban Renewal, LLC, dated as of May 23, 2001.	10-Q	6/30/01	
10.44+	First Amendment to Lease with Nexcomm Asset Acquisition I, L.P., dated as of April 18, 2000.	10-Q	6/30/01	
10.45+	Amendment to Lease Agreement with Burlington Realty Associates III Limited Partnership, dated as of December 18, 2000.	10-Q	6/30/01	
10.46	First Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated September 26, 2001.	10-Q	9/30/01	
10.48	2001 Supplemental Stock Plan.	10-Q	9/30/01	
10.53	Second Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated May 20, 2002.	10-Q	6/30/02	
10.54+	Amended and Restated Master Service Agreement by and between International Business Machines Corporation and Equinix, Inc., dated as of May 1, 2002.	10-Q	6/30/02	
10.56+	Second Amendment to Lease Agreement with Burlington Realty Associates III Limited Partnership, dated as of October 1, 2002.	10-Q	9/30/02	
10.58	Form of Severance Agreement entered into by the Company and each of the Company's executive officers.	10-Q	9/30/02	
10.61	Tenancy Agreement over units #06-01, #06-05, #06-06, #06-07 and #06-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.	10-K	12/31/02	
10.62	Tenancy Agreement over units #05-05, #05-06, #05-07 and #05-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.	10-K	12/31/02	
10.63	Tenancy Agreement over units #03-01 and #03-02 of Block 28 Ayer Rajah Crescent, Singapore 139959.	10-K	12/31/02	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
10.64	Tenancy Agreement over units #05-01, #05-02, #05-03 and #05-04 of Block 20 Ayer Rajah Crescent, Singapore 139964.	10-K	12/31/02	
10.65	Tenancy Agreement over units #03-05, #03-06, #03-07 and #03-08 of Block 20 Ayer Rajah Crescent, Singapore 139964.	10-K	12/31/02	
10.69	Lease Agreement with Downtown Properties, LLC dated as of April 10, 2000, as amended.	10-K	12/31/02	
10.70	Lease Agreement with Comfort Development Limited dated November 10, 2000.	10-K	12/31/02	
10.71	Lease Agreement with PacEast Telecom Corporation dated June 15, 2000, as amended.	10-K	12/31/02	
10.72	Lease Agreement Lend Lease Real Estate Investments Limited dated October 20, 2000.	10-K	12/31/02	
10.73	Lease Agreement with AIPA Properties, LLC dated November 1, 1999, as amended.	10-K	12/31/02	
10.74	Third Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of September 30, 2002.	10-K	12/31/02	
10.75	Registration Rights Agreement by and among Equinix and the Initial Purchasers, dated as of December 31, 2002.	10-K	12/31/02	
10.83	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.	8-K	5/1/03	
10.84	Sublease by and between Electronics for Imaging as Landlord and Equinix Operating Co., Inc. as Tenant dated February 12, 2003.	10-Q	3/31/03	
10.92	Renewal of Tenancy Agreements over units #06-01, #06-05/08, #05-05/08, #03-05/08 & #05-01/04 of Block 20 Ayer Rajah Crescent, Singapore 139964.	10-Q	9/30/03	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
10.94	Fourth Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc., dated as of November 21, 2003.	10-K	12/31/03	
10.95+	Sublease Agreement between Sprint Communications Company, L.P. and Equinix Operating Co., Inc. dated as of October 24, 2003.	10-K	12/31/03	
10.96	Tenancy Agreement over units #03-01, #03-02, #03-03, #03-04 of Block 20 Ayer Rajah Crescent, Singapore 139964.	10-K	12/31/03	
10.97	Second Amendment to Lease Agreement with JMA Robinson Redevelopment, LLC, as successor in interest to Carrier Central L.A., Inc., dated as of November 30, 2003.	10-K	12/31/03	
10.99	Indenture among Equinix, Inc. and U.S. Bank National Association as Trustee dated February 11, 2004.	10-Q	3/31/04	
10.101	First Amendment to Lease Agreement between Lakeside Purchaser L.L.C. as successor in interest to Carlyle-Core Chicago, LLC and Equinix Operating Co., Inc. dated as of July 15, 2003.	10-Q	3/31/04	
10.102	Supplemental Lease Agreement with Comfort Development Limited dated May 18, 2004.	S-3 (File No. 333-116322)	6/9/04	
10.103+	Lease Agreement dated as of April 21, 2004 between Eden Ventures LLC and Equinix, Inc.	10-Q	6/30/04	
10.104	Lease Amendment Agreement dated June 17, 2004 between Equinix Japan KK and Mitsubishi Electric Information Network Corporation.	10-Q	6/30/04	
10.105	Equinix, Inc. 2004 International Employee Stock Purchase Plan effective as of June 3, 2004.	10-Q	6/30/04	
10.106	Equinix, Inc. Employee Stock Purchase Plan effective as of June 3, 2004.	10-Q	6/30/04	
10.107	First Amendment to Sublease Agreement dated as of June 21, 2004 between Equinix Operating Co. Inc. and Sprint Communications Company L.P.	10-K	12/31/04	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
10.109+	Assignment and Assumption of Lease and First Amendment to Lease dated as of 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-K	12/31/04	
10.111	Sublease dated January 1, 2005 between Equinix, Inc, and At Last Sportswear, Inc./ Sharp Eye, Inc.	10-K	12/31/04	
10.113	First Amendment to Lease dated as of January 18, 2005 between Eden Ventures LLC and Equinix, Inc.	10-K	12/31/04	
10.115	Form of Restricted Stock Agreement for Equinix's executive officers under the Company's 2000 Equity Incentive Plan.	10-K	12/31/05	
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-Q	6/30/05	
10.118+	Agreement of Sublease dated as of July 13, 2005 between Equinix Operating Co., Inc. and Verio Inc.	10-Q	6/30/05	
10.119+	Amended Loan and Security Agreement dated September 16, 2005 between Equinix, Inc. and Silicon Valley Bank.	10-Q	9/30/05	
10.121	Sale Agreement dated October 3, 2005 between Trizec Realty, LLC and Equinix, Inc. and associated Assignment and Assumption Agreement between Equinix, Inc. and Equinix RP II LLC.	10-Q	9/30/05	
10.122	Letter Agreement dated October 6, 2005 among Equinix, Inc., STT Communications Ltd. and I-STT Investments Pte. Ltd.	8-K	10/6/05	
10.123	Purchase and Sale Agreement dated October 24, 2005 between Equinix RP, Inc. and iStar Financial Inc.	10-K	12/31/05	
10.124	Transition and Severance Agreement between Equinix, Inc. and Philip Koen dated November 7, 2005.	8-K	11/8/05	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
10.125	Assignment by Equinix, Inc. and Assumption by Equinix Operating Co., Inc. of Lease and License and Landlord Consent dated January 1, 2006 regarding the leased premises located at 600 W. 7th Street, Los Angeles, California.	10-K	12/31/05	
10.126	Lease Agreement dated December 21, 2005 between Equinix Operating Co., Inc. and iStar El Segundo, LLC and associated Guaranty of Equinix, Inc.	10-K	12/31/05	
10.127+	Loan and Security Agreement and Note between Equinix RP II, LLC and SFT I, Inc. dated December 21, 2005 and associated guaranty of Equinix, Inc.	10-K	12/31/05	
10.128	Lease Agreement dated as of December 21, 2005 between Equinix RP II, LLC and Equinix, Inc.	10-K	12/31/05	
10.129	Fifth Modification to Ground Lease by and between iStar San Jose, LLC and Equinix, Inc. dated January 1, 2006 and associated Guaranty of Equinix, Inc.	10-K	12/31/05	
10.130	Assignment by Equinix, Inc. and Assumption by Equinix Operating Co., Inc. of Lease dated December 22, 2005 regarding the leased premises located at 44470 Chilum Place, Ashburn, Virginia.	10-K	12/31/05	
10.131	2006 Incentive Plan.	10-K	12/31/05	
10.132	Purchase Agreement by and between Equinix Operating Co., Inc. and Amalgamated Bank of Chicago, F/K/A Amalgamated Trust and Savings Bank, not personally but as Trustee, dated February 3, 2006.			X
10.133	First Amendment to Sublease by and between Electronics for Imaging, Inc. as Landlord and Equinix Operating Co., Inc. as Tenant dated February 28, 2006.			X
21.1	Subsidiaries of Equinix.			X
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X

+ 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.

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: May 3, 2006

By: /s/ KEITH D. TAYLOR
Chief Financial Officer
(Principal Financial and Accounting Officer)

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made and entered into as of this 3rd day of February, 2006 (the "Effective Date"), by and between EQUINIX OPERATING CO., INC., a Delaware corporation ("Purchaser"), and AMALGAMATED BANK OF CHICAGO, F/K/A AMALGAMATED TRUST AND SAVINGS BANK, NOT PERSONALLY BUT AS TRUSTEE UNDER TRUST AGREEMENT DATED MAY 1, 1970, AND KNOWN AS TRUST NUMBER 2167 ("Seller").

IN CONSIDERATION of the respective agreements hereinafter set forth, Seller and Purchaser hereby agree as follows:

1. Purchase and Sale.

Seller agrees to sell and convey to Purchaser, and Purchaser agrees to purchase from Seller, on the terms and conditions set forth in this Agreement, the Property. As used herein, the term the "Property" shall mean, collectively: (a) that certain parcel of land located at 1905-1945 Lunt Avenue, Elk Grove Village, Il and containing approximately 7.87 acres of land and more particularly described on **Exhibit A** attached hereto (the "Land"), together with all of Seller's right, title and interest in all rights, easements and interests appurtenant thereto including, but not limited to, any streets or other public ways adjacent to the Land and any development rights, water or mineral rights owned by, or leased to, Seller; (b) all improvements located on the Land, including, but not limited to a Two Hundred Twenty Eight Thousand and Ninety Four (228,094) rentable square foot building (the "Building"), and all other structures, systems, and utilities associated with, and utilized by Seller in the ownership and operation of the Building (all such improvements, together with the Building, being referred to herein as the "Improvements"), (c) all personal property owned by Seller, located on or in the Land or Improvements as of the Effective Date and used in connection with the operation and maintenance of the Property (the "Personal Property"), including, without limitation, any personal property listed on **Exhibit B** attached hereto; (d) all buildings materials, supplies, hardware, carpeting and other inventory located on or in the Land or Improvements as of the Effective Date and maintained in connection with Seller's ownership and operation of the Property (the "Inventory"); and (e) all permits, approvals, and entitlements and other intangible property used in connection with the foregoing, including, without limitation, all of Seller's right, title and interest in any and all warranties and guaranties relating to the Property, (the "Intangible Personal Property"), to the extent the Intangible Personal Property is assignable.

2. Purchase Price.

(a) The purchase price of the Property shall be Nine Million Seven Hundred and Fifty Thousand Dollars ($9,750,000) (the "Purchase Price"). The Purchase Price shall be paid to Seller at Closing, plus or minus prorations and other adjustments hereunder, in the manner set forth in Paragraph 2(b) below.

(b) The Purchase Price shall be paid as follows:

(i) Within three (3) business days after the mutual execution and delivery hereof, Purchaser shall deposit with Chicago Title & Trust Company ("Escrow Holder"), to secure Purchaser's performance hereunder, the sum of Seven Hundred Thousand Dollars ($700,000) (the "Deposit"). Simultaneously with their execution and delivery of this Agreement, Purchaser and Seller shall execute and deliver to the Escrow Holder, and shall cause the Escrow Holder to execute and deliver to Purchaser and Seller an escrow agreement in the form attached hereto and made a part hereof as **Exhibit G** (the "Earnest Money Escrow"). Purchaser may elect to direct the Escrow Holder to invest the Deposit pursuant to Escrow Holder's standard investment procedures, and any interest accruing thereon shall become part of the Deposit. Any investment fee or other cost charged by Escrow Holder in connection with any such investment of the Deposit shall be borne solely by Purchaser. After the expiration of the Due Diligence Period (as hereinafter defined), the Deposit shall be nonrefundable, except in the event of a default by Seller hereunder or as otherwise provided in this Agreement. In the event the sale of the Property as contemplated hereunder is consummated, the Deposit shall be delivered to Seller at the closing of the purchase and sale contemplated hereunder (the "Closing") and credited against the Purchase Price.

(ii) The balance of the Purchase Price shall be paid to Seller at the Closing in immediately available funds.

3. Title to the Property.

(a) At Closing, Chicago Title Insurance Company (the "Title Company") shall issue to Purchaser an ALTA Owner's Extended Coverage Policy of Title Insurance (rev. 10/17/92) in the amount of the Purchase Price, insuring fee simple title to the Land in Purchaser, subject only to the Permitted Exceptions (as hereinafter defined) (the "Title Policy"). The Title Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Improvements to the extent such liens were not caused by Purchaser or anyone claiming by or through Purchaser. Purchaser may request any endorsements that Purchaser desires for the Title Policy, to the extent available, and to the extent that the Title Company commits to issue such endorsements prior to the end of the Due Diligence Period such endorsements shall be deemed a part of the Title Policy. Seller shall execute and deliver to Title Company an owner's affidavit sufficient to support the issuance of the Title Policy. As used herein, the term "Permitted Exceptions" shall mean, collectively: (i) the standard printed exceptions on an ALTA Owner's Policy of Title Insurance (rev. 10/17/92), (ii) non-delinquent liens for general real estate taxes and assessments, (iii) matters disclosed by the Survey (as defined below), (iv) any exceptions disclosed by the Preliminary Report (as defined below) or any Supplements (as defined below) and approved by Purchaser hereunder, and (v) any acts of Purchaser and those claiming by or through Purchaser. Notwithstanding the foregoing, the term "Permitted Exceptions" shall not include (x) any monetary liens, including, without limitation, the liens of any deeds of trust or other loan documents secured by the Property, or (y) any mechanics' liens, to the extent (x) and (y) were not caused by Purchaser or anyone claiming by or through Purchaser.

4. Due Diligence and Time for Satisfaction of Conditions.

Purchaser shall have the right to commence due diligence with respect to the Property, at its sole cost and expense, following the Effective Date and the due diligence period ("Due Diligence Period") shall expire on the date that is sixty (60) days after the Effective Date. Seller and Purchaser acknowledge and agree that Seller has delivered the documents described in **Exhibit F** attached hereto (the "Property Documents"), to the extent the same are in Seller's possession or reasonable control. Notwithstanding the foregoing, or any contrary provision of this Agreement, Purchaser shall have the right to extend the expiration of the Due Diligence Period by thirty (30) days by providing written notice to Seller on or before the scheduled expiration of the Due Diligence Period and depositing into the Earnest Money Escrow the sum of One Hundred Thousand Dollars ($100,000) (the "Additional Deposit") on or before the scheduled expiration of the Due Diligence Period. The Additional Deposit shall become a part of the Deposit as referenced herein and all references herein to the Deposit shall include the Additional Deposit, except that if the Purchaser elects not to proceed with the acquisition of the Property prior to the end of the Due Diligence Period, as so extended, the Deposit shall be returned to Purchaser as herein provided but the Additional Deposit shall be delivered to and retained by Seller as consideration for the extension of the Due Diligence Period notwithstanding anything to the contrary contained elsewhere herein. In addition to the Property Documents, during the Due Diligence Period, Seller shall make available to Purchaser and its employees, representatives, counsel and consultants access to all of its books, records and files relating to the Property in Seller's possession or reasonable control (collectively and together with the Property Documents, the "Due Diligence Items"), and Seller agrees, to the extent reasonably feasible, to allow Purchaser to make copies at Seller's office or the property management office of such items as Purchaser reasonably requests.

5. Diligence Period Conditions.

The following conditions are precedent to Purchaser's obligation to purchase the Property and to deliver the Purchase Price (the "Diligence Period Conditions"):

(a) Purchaser's review and approval of title to the Property, as follows. Seller shall deliver to Purchaser at Seller's sole cost and expense, within five (5) business days after the Effective Date with respect to clauses (i), (ii), (iv) and (v) below and within thirty (30) days after the Effective Date with respect to clause (iii) below, the following:

(i) a current standard title commitment with respect to all of the Land, issued by Title Company, accompanied by copies of all documents referred to in the report (the "Preliminary Report");

(ii) copies of all existing and proposed easements, covenants, restrictions, agreements or other documents which affect title to the Property that are actually known by Seller and that are not disclosed by the Preliminary Report;

(iii) a current plat of survey of the Land, with a standard certification by an Illinois registered land surveyor certifying that the same was prepared in accordance with the minimum ALTA/ACSM land survey standards, including Table A Items 1, 2, 3, 4, 7(a), 8, 9, 10 and 11(a), which certification shall run to the benefit of Purchaser, Title Company and Seller (the "Survey");

(iv) copies of the most recent property tax bills for the Property; and

(v) copies of all documentation relating to actions, suits, and legal or administrative proceedings currently affecting the Property, if any.

Purchaser shall deliver written notice (the “Objection Notice”) to Seller, prior to the end of the Due Diligence Period, if any of the exceptions to title disclosed by the Preliminary Report, the Survey, during the Due Diligence Period are objectionable to Purchaser (“Objections”). Seller shall have ten (10) business days after receipt of the Objection Notice to give Purchaser: (i) written notice that Seller shall use all reasonable efforts to remove all Objections from title on or before the Closing Date; or (ii) written notice that Seller elects not to cause the Objections to be removed. If Seller gives Purchaser notice under clause (ii), Purchaser shall have ten (10) days to elect to proceed with the purchase or terminate this Agreement. If Purchaser shall fail to give Seller written notice of its election within said ten (10) days, Purchaser shall be deemed to have elected to terminate this Agreement. If Seller gives notice under clause (i) above and fails to remove all the Objections prior to the Closing Date and Purchaser is unwilling to accept title subject to such Objections in its sole and absolute discretion, Purchaser shall have, as its sole right and remedy on account of such failure by Seller, the right to terminate this Agreement. In the event that Purchaser terminates this Agreement pursuant to this paragraph, the Deposit shall be immediately returned to Purchaser and neither party shall have any further obligations hereunder except to the extent set forth in Paragraphs 12(a), 15(b), 15(g), 15(k), 15(l) and 15(p) hereof.

In the event the Title Company issues any supplement (“Supplement”) to the Preliminary Report during the term of this Agreement, Purchaser shall have until the later of the end of the Due Diligence Period and ten (10) days following delivery of such Supplement to Purchaser to deliver an Objection Notice to Seller setting forth any Objections to any exceptions contained therein and not disclosed in the Preliminary Report, or any prior Supplement thereto. Thereafter, Seller shall have ten (10) business days after receipt of such Objection Notice to give Purchaser: (x) written notice that Seller shall use all reasonable efforts to remove all Objections from title on or before the Closing Date; or (y) written notice that Seller elects not to cause the Objections to be removed. If Seller gives Purchaser notice under clause (y), Purchaser shall have five (5) days to elect to proceed with the purchase or terminate this Agreement. If Purchaser shall fail to give Seller written notice of its election within said five (5) days, Purchaser shall be deemed to have elected to terminate this Agreement. If Seller gives notice under clause (x) above and fails to remove all the Objections prior to the Closing Date and Purchaser is unwilling to accept title subject to such Objections in its sole and absolute discretion, Purchaser shall have, as its sole right and remedy on account of such failure by Seller, the right to terminate this Agreement. In the event that Purchaser terminates this Agreement pursuant to this paragraph, the Deposit shall be immediately returned to Purchaser and neither party shall have any further obligations hereunder except to the extent set forth in Paragraphs 12(a), 15(b), 15(g), 15(k), 15(l) and 15(p) hereof.

Notwithstanding anything to the contrary provided herein, Seller shall be obligated to remove from title prior to the Closing, to the extent the following are not caused by Purchaser or by anyone claiming by or through Purchaser, (a) any delinquent taxes and assessments, (b) any mechanics' liens, (c) any other monetary liens, and (d) any exceptions caused by Seller's voluntary acts after the Effective Date and not approved by Purchaser hereunder.

(b) Purchaser's review and approval in its sole and absolute discretion, prior to the end of the Due Diligence Period, of all aspects of the Property, including, without limitation, all of the Due Diligence Items, and the results of Purchaser's examinations, inspections, testing, and or investigations of the Property and the Due Diligence Items (collectively, "Purchaser's Due Diligence Investigations"). Purchaser's Due Diligence Investigations, shall include an examination for the presence or absence of Hazardous Material (as defined below) on, under or in the Property, including additional environmental studies or environmental testing or sampling of any kind with respect to the Property or with respect to the soils or ground water, or other studies which may require test boring. Purchaser shall notify Seller in advance of such testing, and Seller or its representative may be present to observe any testing performed on the Property by Purchaser or its representatives. As used herein, the term, "Hazardous Material" shall mean any substance, chemical, waste or other material which is listed, defined or otherwise identified as "hazardous" or "toxic" under any federal, state, local or administrative agency ordinance or law, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq.; and the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq.; or any regulation, order, rule or requirement adopted thereunder, as well as any formaldehyde, urea, polychlorinated biphenyls, petroleum, petroleum product or by-product, crude oil, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel or mixture thereof, radon, asbestos, and "source," "special nuclear" and "by-product" material as defined in the Atomic Energy Act of 1985, 42 U.S.C. §§ 3011 et seq.

(c) Purchaser's review and approval, prior to the expiration of the Due Diligence Period, of a schedule prepared by Seller and delivered to Purchaser within five (5) business days of the Effective Date, identifying all of the service contracts and similar agreements that Seller intends to assign to Purchaser at Closing (the "Schedule of Agreements"). Purchaser shall have the right, in its sole discretion, to require the termination of any service contract or other agreement identified on the Schedule of Agreements effective as of the Closing Date, by delivering to Seller written notice (the "Contract Termination Notice") on or before the expiration of the Due Diligence Period, provided that such contract or agreement is terminable by Seller without the payment of any fee or penalty and Purchaser provides to Seller adequate notice that Purchaser shall require the termination of such contract or agreement (collectively "Terminable Agreements"). If Purchaser fails to deliver the Contract Termination Notice within such time period, Purchaser shall be deemed to have elected to assume all of the agreements identified on the Schedule of Agreements. Under all circumstances, Seller shall cause to be terminated as of the Closing all property management agreements and leasing agreements with respect to the Property. Those service contracts and agreements identified on the Schedule of Agreements that are not terminated by Purchaser pursuant to this Paragraph 5(c) are referred to herein as the "Assumed Contracts."

(d) Purchaser's review and approval, prior to the expiration of the Due Diligence Period, of reports by engineers and/or architects selected by Purchaser to inspect the Property.

(e) Purchaser's review and approval, prior to the expiration of the Due Diligence Period, of evidence satisfactory to Purchaser and its legal counsel that the Property complies with all applicable zoning, subdivision, land use, redevelopment, energy, environmental, building and other governmental requirements applicable to the use, maintenance and occupancy of the Property.

(f) Review and approval by Purchaser and its legal counsel, prior to the expiration of the Due Diligence Period, of all documentation relating to contracts, service agreements, certificates of occupancy and all other legal matters related to the Property and its acquisition by Purchaser.

(g) Review and approval by Purchaser and its legal counsel, prior to the expiration of the Due Diligence Period, of an affidavit, in form reasonably acceptable to Purchaser, confirming that all state and local real property and business taxes, which are due and payable and which can be liens on the Property, have been paid in full by Seller; it being understood that Seller must provide such affidavit to Purchaser and its legal counsel within thirty (30) days from the Effective Date.

Prior to the end of the Due Diligence Period, Purchaser shall deliver written notice (the "Approval Notice") to Seller informing Seller whether or not Purchaser has approved or waived all of the Diligence Period Conditions. Notwithstanding anything in this Agreement to the contrary, Purchaser shall have the right to terminate this Agreement at any time prior to the end of the Due Diligence Period in its sole and absolute discretion and for any or for no reason whatsoever. If, by the end of the Due Diligence Period, Purchaser shall not have delivered the Approval Notice to Seller approving or waiving all of the Diligence Period Conditions, then this Agreement shall automatically terminate. In the event that this Agreement is terminated pursuant to this paragraph, the Deposit shall be immediately returned to Purchaser and neither party shall have any further obligations hereunder except to the extent set forth in Paragraphs 12(a), 15(b), 15(g), 15(k), 15(l) and 15(p) hereof.

6. Conditions to Closing.

The following conditions are precedent to Purchaser's obligation to acquire the Property and to deliver the Purchase Price (the "Conditions Precedent"). If any Conditions Precedent are not satisfied, Purchaser may elect by written notice to Seller to terminate the Agreement and receive a refund of the Deposit. Upon such termination, neither party shall have any further obligations hereunder except as provided in Paragraphs 12(a), 15(b), 15(g), 15(k), 15(l) and 15(p) hereof.

(a) This Agreement shall not have terminated pursuant to any other provision hereof, including, without limitation, Paragraph 5 above.

(b) Seller shall have complied with all of Seller's obligations hereunder, including, without limitation, the delivery of all items required to be delivered by Seller at the Closing hereunder.

(c) Title Company shall be irrevocably and unconditionally committed to issue to Purchaser the Title Policy as described in Paragraph 3(a) above (subject only to payment of its premiums therefor).

(d) All of Seller's representations and warranties contained herein shall be true and correct in all material respects on the Closing Date.

7. Remedies.

(a) In the event the sale of the Property is not consummated because of the failure of any condition or any other reason except a default under this Agreement on the part of Purchaser, the Deposit, shall immediately be returned to Purchaser. If said sale is not consummated because of a default under this Agreement on the part of Purchaser, Seller shall be excused from further performance hereunder and the Deposit shall be paid to and retained by Seller as liquidated damages. The parties have agreed that Seller's actual damages, in the event of a default by Purchaser, would be extremely difficult or impracticable to determine. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT THE DEPOSIT HAS BEEN AGREED UPON, AFTER NEGOTIATION, AS THE PARTIES' REASONABLE ESTIMATE OF SELLER'S DAMAGES AND AS SELLER'S EXCLUSIVE REMEDY AGAINST PURCHASER, AT LAW OR IN EQUITY, IN THE EVENT OF A DEFAULT UNDER THIS AGREEMENT ON THE PART OF PURCHASER. THE PARTIES ACKNOWLEDGE THAT THE PAYMENT OF SUCH LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER.

INITIALS: Seller /IP/ Purchaser /KT/

(b) In the event the sale of the Property is not consummated because of a default under this Agreement on the part of Seller, Purchaser may either (1) terminate this Agreement by delivery of written notice of termination to Seller, whereupon (A) the Deposit shall be immediately returned to Purchaser, and (B) Seller shall pay to Purchaser any out-of-pocket title, escrow, legal and inspection fees, costs and expenses actually incurred by Purchaser and any other reasonable out-of-pocket fees, costs and expenses actually incurred by Purchaser in connection with the performance of Purchaser's Due Diligence Investigations and the negotiation and performance of this Agreement, including, without limitation, environmental and engineering consultants' fees and expenses, and neither party shall have any further rights or obligations hereunder except to the extent set forth in Paragraphs 12(a), 15(b), 15(g), 15(k), 15(l) and 15(p) hereof, or (2) continue this Agreement and bring an action for specific performance hereof.

8. Closing and Escrow.

(a) The Closing shall take place via a deed and money escrow, using for such purposes the Title Company, as the escrow agent, and a mutually agreeable escrow agreement comporting with the terms of this Agreement, including provisions for a so-called "New York style" closing to facilitate delivery to Purchaser of the Title Policy and possession of the Property on the Closing Date. The Closing may take place at Title Company's loop office in Chicago, Illinois, provided Seller and Purchaser do not need to appear at Closing and may deliver via mail the documentation and Purchase Price, as applicable, required pursuant to the terms of this Agreement to the Title Company.

(b) The parties shall conduct an escrow Closing pursuant to this Paragraph 8 on the date that is the date that is thirty (30) days after the expiration of the Due Diligence Period, or on such other date as Purchaser and Seller may agree in their sole and absolute discretion (the "Closing Date").

(c) At or before the Closing, Seller shall deliver to Title Company (for delivery to Purchaser upon Closing) the following (other than the materials described in clauses (iv) and (vii) below, which shall be either delivered directly to Purchaser by Seller substantially concurrent with the Closing or left by Seller in or on the Improvements as of the Closing Date):

(i) a duly executed and acknowledged Trustee's Deed in the form attached hereto as **Exhibit C** (the "Deed");

(ii) a bill of sale in the form attached hereto as **Exhibit D** (the "Bill of Sale");

(iii) an assignment of service contracts, warranties and guaranties and other intangible property in the form attached hereto as **Exhibit E** (the "Assignment of Intangible Property");

(iv) originals or copies, to the extent Seller does not have originals in its possession, of all Assumed Contracts, and, to the extent in Seller's possession, buildings permits, certificates of occupancy, plans and specifications for the Improvements and all tenant-occupied space included within the Improvements, and all other material documents, agreements and correspondence and items relating to the ownership, operation, maintenance or management of the Property;

(v) a "FIRPTA Affidavit" pursuant to Section 1445 (b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), duly executed by Seller;

(vi) Bulk Sales. Either (i) a certificate from the Illinois Department of Revenue stating that no assessed but unpaid tax, penalties or interest are due under in the requirements of the Illinois Income Tax Act, 35 ILCS 5/902 and the Retailers' Occupation Tax Act, 35 ILCS 120/5j or under the provisions of Section 3-4-140 of the Uniform Revenue Procedures Act or (ii) in the absence of such letter, an indemnity in form and substance reasonably acceptable to Purchaser from Seller's beneficiaries indemnifying Purchaser against any amounts due under such Act;

(vii) such resolutions, authorizations, bylaws or other corporate and/or partnership documents relating to Seller as shall be required by Title Company;

(viii) keys to all locks located in or about any portion of the Property and all personal property described in the Bill of Sale to the extent in Seller's possession or reasonable control; and

(ix) any other closing documents reasonably requested by Title Company or Purchaser. Purchaser may waive compliance on Seller's part under any of the foregoing items by proceeding with the Closing.

(d) At or before the Closing, Purchaser shall deliver to Title Company (for delivery to Seller upon Closing) the following:

(i) the duly executed Assignment of Intangible Property;

(ii) such resolutions, authorizations, bylaws or other corporate and/or partnership documents or agreements relating to Purchaser as shall be required by Title Company;

(iii) any other customary and/or reasonable closing documents requested by Title Company or Seller (provided that in no event shall any such documents increase the liability of Purchaser); and

(iv) the balance of the Purchase Price in cash or other immediately available funds, subject to prorations and adjustments as set forth herein.

(e) Seller and Purchaser shall jointly deliver (i) a closing statement, (ii) all required real estate transfer tax declarations, and (iii) such other instruments as are reasonably required by the Title Company or otherwise required to close the escrow and consummate the acquisition of the Property in accordance with the terms hereof (provided that in no event shall any such documents increase the liability of Purchaser or Seller). Seller and Purchaser hereby designate Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Code and the regulations promulgated thereunder and agree to execute such documentation as is reasonably necessary to effectuate such designation.

(f) The following are to be apportioned as of the Closing Date as follows, with Purchaser being deemed to be the owner of the Property during the Closing Date and being entitled to receive all income of the Property, and being obligated to pay all expenses of the Property, with respect to such day:

(i) Utility Charges. Seller shall be responsible for the cost of all utilities used prior to the Closing Date.

(ii) Other Apportionments; Closing Costs. Amounts payable under the Assumed Contracts, annual or periodic permit and/or inspection fees (calculated on the basis of the period covered), and liability for other Property operation and maintenance expenses and other recurring costs shall be apportioned as of the Closing Date. Seller shall pay all transfer taxes with respect to the Property and sales tax (if any) on the Personal Property. Seller shall pay the premium for the Title Policy (including extended coverage but excluding any other endorsements requested by Purchaser), and Purchaser shall pay for any endorsements to the Title

Policy (other than extended coverage) requested by Purchaser. Purchaser and Seller shall each pay one-half of any Title Company closing and escrow fees (including any costs associated with a "New York Style" closing). Purchaser shall pay for the costs of recording the Deed and any instruments related to Purchaser's financing. Seller shall be responsible for all costs incurred in connection with the prepayment or satisfaction of any loan secured by the Property, including, without limitation, any prepayment fees, penalties or charges. Seller shall pay the costs and fees payable in connection with the assignment to Purchaser of any warranties and guaranties with respect to the Property. All other costs and charges of the escrow for the sale not otherwise provided for in this Subparagraph 8(f)(ii) or elsewhere in this Agreement shall be allocated in accordance with the applicable closing customs for the county in which the Property is located as determined by the Title Company.

(iii) Real Estate Taxes and Special Assessments. All delinquent real estate taxes and assessments shall be paid by Seller at or before Closing. Purchaser shall receive real estate tax proration credits equal to the estimate of the unpaid portion of the 2005 real estate taxes, if any, and equal to the estimate of the pro rata portion of the 2006 real estate taxes for the period ending on the Closing Date. For purposes of calculating this credit, the unpaid portion of 2005 real estate taxes, if any, and the pro rata portion of the 2006 real estate taxes shall be estimated on the basis of one hundred five percent (105%) of the most recently ascertainable final real estate taxes for a full calendar year. The real estate taxes shall be re-prorated upon receipt of the actual final real estate tax bill or invoice for each period of time subject to proration hereunder.

(iv) Preliminary Closing Adjustment. Seller and Purchaser shall jointly prepare a preliminary Closing adjustment on the basis of the above-referenced costs and other sources of income and expenses, and shall endeavor to deliver such computation to Title Company at least two (2) days prior to Closing.

(v) Post-Closing Reconciliation. If any of the aforesaid prorations cannot be calculated accurately on the Closing Date, then they shall be calculated as soon after the Closing Date as feasible. Either party owing the other party a sum of money based on such subsequent proration(s) shall promptly pay said sum to the other party, from the Closing Date to the date of payment if payment is not made within ten (10) days after delivery of a bill therefor.

(vi) Survival. The provisions of this Paragraph 8(f) shall survive the Closing.

9. Representations and Warranties of Seller.

(a) Seller hereby represents and warrants to Purchaser as follows:

(i) Seller has not, and as of the Closing Seller shall not have, (A) made a general assignment for the benefit of creditors, (B) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by Seller's creditors, (C) suffered the appointment of a receiver to take possession of all, or substantially all, of Seller's assets, which remains pending as of such time, (D) suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, which remains pending as of such time, (E) admitted in writing its inability to pay its debts as they come due, or (F) made an offer of settlement, extension or composition to its creditors generally.

(ii) Seller is not, and as of the Closing shall not be, a “foreign person” as defined in Section 1445 of the Code and any related regulations.

(iii) This Agreement (A) has been duly authorized, executed and delivered by Seller, and (B) does not, and as of the Closing shall not, violate any provision of any agreement or judicial order to which Seller is a party or to which Seller or the Property is subject.

(iv) Seller has or will have, upon receipt of a letter of direction, full and complete power and authority to enter into this Agreement and to perform its obligations hereunder, subject to the terms and conditions of this Agreement.

(v) There are no leases, occupancy agreements, licenses or similar rights to occupy the Property in connection with the Property.

(vi) To Seller’s knowledge, there is no litigation pending or threatened with respect to the Property or the transactions contemplated hereby.

(vii) Seller has not received any notice of uncured violations from any governmental entity of any applicable building codes or any applicable environmental, zoning or land use law, or any other applicable local, state or federal law or regulation relating to the Property, including, without limitation, the Americans with Disabilities Act of 1990.

(viii) To Seller’s knowledge, Seller has not failed to obtain any material governmental permit necessary for the operation of the Improvements in the manner in which they are presently being operated.

(ix) To Seller’s knowledge, there are no condemnation proceedings pending or threatened that would result in the taking of any portion of the Property. Seller has not received, any written notice of any special assessment proceedings affecting the Property that is not disclosed on the Preliminary Report.

(x) Seller has not granted any option or right of first refusal or first opportunity to any party to acquire any fee or ground leasehold interest in any portion of the Property.

(xi) The Due Diligence Items and documents delivered to Purchaser pursuant to this Agreement will be all of the relevant documents, materials, reports and other items pertaining to the condition and operation of the Property which are known to Seller, and are in Seller’s possession or reasonable control. To Seller’s knowledge, the Due Diligence Items delivered to Purchaser pursuant to this Agreement will be true and correct copies, and will be in full force and effect, without default by any party and without any right of set-off except as disclosed in writing at the time of such delivery.

(xii) Neither Seller, nor to Seller's knowledge, any third party has used, manufactured, stored or disposed of, on under or about the Property or transported to or from the Property, any Hazardous Materials, except in compliance with all applicable laws.

(xiii) Seller is in compliance with all laws, statutes, rules and regulations or any federal, state or local governmental authority in the United States of America applicable to Seller and all beneficial owners of Seller, including, without limitation, the requirements of Executive Order No. 133224, 66 Fed Reg. 49079 (September 25, 2001) (the "Order") and other similar requirements contained in the rules and regulations of the Office of Foreign Asset Control, Department of the Treasury ("OFAC") and in any enabling legislation or other Executive Orders in respect thereof (the Order and such other rules, regulations, legislation, or orders are collectively called the "Orders"). Neither Seller nor any beneficial owner of Seller:

(1) is listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Order and/or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Orders (such lists are collectively referred to as the "Lists");

(2) has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(3) is owned or controlled by, nor acts for or on behalf of, any person or entity on the Lists or any other person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders; or

(4) shall transfer or permit the transfer of any interest in Seller or any beneficial owner in Seller to any person who is or whose beneficial owners are listed on the Lists.

(b) It shall be a condition precedent to Purchaser's obligation to purchase the Property and to deliver the Purchase Price that all of Seller's representations and warranties contained in or made pursuant to this Agreement shall have been true and correct when made and shall be true and correct in all material respects as of the Closing Date. All representations and warranties by the respective parties contained herein or made in writing pursuant to this Agreement shall be deemed to be material and shall survive the execution and delivery of this Agreement and the Closing for a period of six (6) months. In the event that a claim is not made with respect to a breach of a representation or warranty set forth herein or made in writing pursuant to this Agreement within such six (6) month period, such claim shall be deemed waived.

(c) Purchaser understands and agrees that the phrase "to Seller's knowledge" or "receipt of notice" or in either case words of similar import, as used in this Agreement, means only the actual knowledge of, without investigation, or the receipt of written notice by, Seller or any beneficiary of Seller.

(d) **EXCEPT FOR THOSE COVENANTS, REPRESENTATIONS AND WARRANTIES THAT ARE EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER MAKES NO COVENANT, REPRESENTATION OR WARRANTY (EXPRESS**

OR IMPLIED) AS TO ANY ASPECT WHATSOEVER OF OR RELATING TO THE PROPERTY INCLUDING, WITHOUT LIMITATION, AS TO THE SUITABILITY OF THE PROPERTY OR AS TO THE PHYSICAL CONDITION THEREOF FOR ANY PURPOSE WHATSOEVER. SUBJECT ONLY TO THE INSPECTION RIGHTS OF PURCHASER SET FORTH IN THIS AGREEMENT, AND PURCHASER'S RIGHTS TO TERMINATE THIS AGREEMENT UNDER THE PROVISIONS OF PARAGRAPH 5 HEREOF, PURCHASER HEREBY WAIVES ANY AND ALL OBJECTIONS TO, OR CLAIMS WITH RESPECT TO, ANY AND ALL PHYSICAL CHARACTERISTICS AND EXISTING CONDITIONS OF THE PREMISES, EXCEPT IN RESPECT OF OBJECTIONS OR CLAIMS ARISING FROM SELLER'S BREACH OF ANY EXPRESS REPRESENTATION OR WARRANTY HEREIN OR OBLIGATION TO MAINTAIN THE PROPERTY EXPRESSLY PROVIDED HEREIN. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT THE PROPERTY IS TO BE SOLD AND CONVEYED TO, AND PURCHASED AND ACCEPTED BY, PURCHASER IN ITS PRESENT CONDITION, "AS IS" AND "WHERE IS," AND WITH ALL FAULTS. THE PROVISIONS OF THIS PARAGRAPH 9(D) SHALL SURVIVE THE CLOSING.

10. Representations and Warranties of Purchaser. Purchaser hereby represents and warrants to Seller as follows:

(a) Purchaser is a duly organized and validly existing corporation in good standing under the laws of the State of Delaware; this Agreement and all documents executed by Purchaser which are to be delivered to Seller at the Closing are or at the time of Closing will be duly authorized, executed and delivered by Purchaser, and do not and at the time of Closing will not violate any provisions of any agreement or judicial order to which Purchaser is subject.

(b) Purchaser has not, and as of the Closing Purchaser shall not have, (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by Purchaser's creditors, (iii) suffered the appointment of a receiver to take possession of all, or substantially all, of Purchaser's assets, which remains pending as of such time, (iv) suffered the attachment or other judicial seizure of all, or substantially all, of Purchaser's assets, which remains pending as of such time, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally.

(c) Purchaser is in compliance with all laws, statutes, rules and regulations or any federal, state or local governmental authority in the United States of America applicable to Purchaser and all beneficial owners of Purchaser, including, without limitation, the Order and other similar requirements contained in the rules and regulations of OFAC and in any other Orders. Purchaser agrees to make its policies, procedures and practices regarding compliance with the Orders available to Seller for its review and inspection during normal business hours and upon reasonable prior notice. Neither Purchaser nor any beneficial owner of Purchaser;

(1) is listed on the Lists;

(2) has been determined by competent authority to be subject to the prohibitions contained in the Orders;

(3) is owned or controlled by, nor acts for or on behalf of, any person or entity on the Lists or any other person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders; or

(4) shall transfer or permit the transfer of any interest in Purchaser or any beneficial owner in Purchaser to any person who is or whose beneficial owners are listed on the Lists.

11. Risk of Loss.

(a) Purchaser shall be bound to purchase the Property for the full Purchase Price as required by the terms hereof, without regard to the occurrence or effect of any damage to the Property or destruction of any improvements thereon or condemnation of any portion of the Property, provided that (i) the cost to repair any such damage or destruction, or the diminution in the value of the remaining Property as a result of a partial condemnation, does not exceed $500,000, (ii) in the case of any such damage or destruction, the repair can be completed within ninety (90) days and (iii) upon the Closing, there shall be a credit against the Purchase Price due hereunder equal to the amount of any insurance proceeds or condemnation awards collected by Seller as a result of any such damage or destruction or condemnation, less any sums reasonably expended by Seller toward the restoration or repair of the Property, and, if all of the proceeds or awards have not been collected as of the Closing, then such proceeds or awards shall be assigned to Purchaser, and Purchaser shall also be entitled to a credit against the Purchase Price in the amount of any deductible or uninsured loss.

(b) If the amount of the damage or destruction or condemnation as specified in Paragraph 11(a) above exceeds $500,000, or, in the case of any such damage or destruction, the repair cannot be completed within ninety (90) days, then Purchaser may, at its option to be exercised within twenty (20) days of Seller's written notice of the occurrence of the damage or destruction or the commencement of condemnation proceedings, either terminate this Agreement or consummate the purchase for the full Purchase Price as required by the terms hereof. If Purchaser elects to terminate this Agreement or fails to give Seller written notice within such 20-day period that Purchaser will proceed with the purchase, then the Deposit shall be immediately turned to Purchaser and neither party shall have any further rights or obligations hereunder except to the extent set forth in Paragraphs 12(a), 15(b), 15(g), 15(k), 15(l) and 15(p) hereof. If Purchaser elects to proceed with the purchase, then upon the Closing, there shall be a credit against the Purchase Price due hereunder equal to the amount of any insurance proceeds or condemnation awards collected by Seller as a result of any such damage or destruction or condemnation, less any sums reasonably expended by Seller toward the restoration or repair of the Property, and, if all of the proceeds or awards have not been collected as of the Closing, then such proceeds or awards shall be assigned to Purchaser, and Purchaser shall also be entitled to a credit against the Purchase Price in the amount of any deductible or uninsured loss.

12. Access; Indemnity; Possession.

(a) Commencing on the Effective Date and through the Closing Date or the earlier termination of this Agreement, Seller shall afford authorized representatives of Purchaser reasonable access to the Property at reasonable times agreed upon by Purchaser and Seller after reasonable prior notice to Seller for purposes of satisfying Purchaser with respect to the representations, warranties and covenants of Seller contained herein and with respect to satisfaction of any Diligence Period Condition or any Condition Precedent. Purchaser hereby agrees to indemnify, defend (with counsel acceptable to Seller) and hold Seller, its beneficiaries and their respective officers, directors, shareholders, partners, members, agents, successors and assigns (collectively, "Indemnified Parties") harmless from and against any and all claims, judgments, damages, losses, penalties, fines, demands, liabilities, encumbrances, liens, costs and expenses (including reasonable attorneys' fees, court costs and costs of appeal) suffered or incurred by any of the Indemnified Parties and to the extent arising out of or resulting from damage or injury to persons or property caused by Purchaser or its authorized representatives during their investigation of, entry onto and/or inspections of the Property prior to the Closing or earlier termination of this Agreement. If this Agreement is terminated, Purchaser shall repair the damage caused by Purchaser's entry onto and/or inspections of the Property, provided the foregoing shall not require Purchaser to repair or remediate any conditions that are discovered by Purchaser. Purchaser shall remove any mechanics' or materialmens' liens arising from the exercise of Purchaser's rights under this Paragraph 12. The foregoing indemnity, repair obligations and removal of liens obligations shall survive the Closing, or in the event that the Closing does not occur, the termination of this Agreement.

(b) Possession of the Property shall be delivered to Purchaser on the Closing Date, subject to the Permitted Exceptions.

13. Seller Covenants.

(a) At the time of Closing, Seller shall cause to be paid in full all obligations under any outstanding written or oral contracts made by Seller for any improvements to the Property, and Seller shall cause to be discharged all mechanics' and materialmen's liens arising from any labor or materials furnished to the Property prior to the time of Closing to the extent the same were not caused by Purchaser or anyone claiming through Purchaser.

(b) Between the Effective Date and the Closing, Seller shall promptly notify Purchaser of any condemnation, environmental, zoning or other land-use regulation proceedings of which Seller obtains knowledge, between the Effective Date and the Closing, as well as any notices of violations of any laws relating to the Property of which Seller obtains knowledge, and any litigation of which Seller obtains knowledge, between the Effective Date and the Closing, that arises out of the ownership of the Property.

(c) Through the Closing Date, Seller shall maintain or cause to be maintained, at Seller's sole cost and expense, all policies of insurance currently in effect with respect to the Property (or comparable replacements thereof).

14. Purchaser's Consent to New Contracts Affecting the Property; Termination of Existing Contracts.

(a) Seller shall not, after the Effective Date, enter into any lease or contract, or any amendment thereof, or waive any rights of Seller under any contract, without in each case obtaining Purchaser's prior written consent thereto, which consent shall not be unreasonably withheld by Purchaser (provided that Purchaser may withhold or condition its consent in its sole and absolute discretion following the end of the Due Diligence Period).

(b) Seller shall terminate prior to the Closing, at no cost or expense to Purchaser, any and all management agreements, service contracts or similar agreements affecting the Property that are not Assumed Contracts (other than such contracts or agreements that Seller is not obligated to terminate pursuant to Paragraph 5(c) above) and all employees, if any, of the Property.

(c) Seller shall not, after the Effective Date, create any new encumbrance or lien affecting the Property other than liens and encumbrances (i) that are reasonably capable of being discharged prior to the Closing and (ii) that in fact will be and are discharged prior to the Closing. The obligations set forth in this Paragraph 14(c) shall survive the Closing to the extent such obligations are violated prior to the Closing.

15. Miscellaneous.

(a) Notices. Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given upon (i) hand delivery, (ii) one (1) business day after being deposited with Federal Express or another reliable overnight courier service, with receipt acknowledgment requested, (iii) upon receipt if transmitted by facsimile telecopy, with a copy sent on the same day by one of the other permitted methods of delivery, or (iii) upon receipt or refused delivery deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

IF TO SELLER:	Kaiser Investments, LLC 70 E. Lake Street, Suite 1600 Chicago, IL 60601 Attn: Walter Kaiser Fax No.: (312) 279-9201
WITH COPIES TO:	Eugene L. Shepp 3545 Lake Avenue, Suite 200 Wilmette, IL 60091 Fax No.: (847) 251-5544
	Krasnow Saunders Cornblath LLP 500 North Dearborn, 2nd Floor Chicago, IL 60610 Attn: David Saunders and Dina Bradford Fax No.: (312) 755-5720
IF TO PURCHASER:	Equinix Operating Co., Inc. 10780 Parkridge Boulevard, Suite 150 Reston, VA 20191 Attn: Howard Horowitz Fax No.: (703) 251-3330

Equinix Operating Co., Inc.
301 Velocity Way, 5th Floor
Foster City, CA 94404
Attn: Paul Silliman
Fax No.: (650) 513-7913

WITH A COPY TO: Orrick, Herrington & Sutcliffe LLP
Old Federal Reserve Bank Buildings
400 Sansome Street
San Francisco, California 94111-3143
Attn: William G. Murray, Jr., Esq.
Fax No.: (415) 773-5807

or such other address as either party may from time to time specify in writing to the other.

(b) Brokers and Finders. Neither party has had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any real estate broker or other person who can claim a right to a commission or finder's fee in connection with the sale contemplated herein except for Staubach Midwest LLC and Colliers Bennett & Kahnweiler, each of whose commission and fees shall be paid by Seller pursuant to a separate agreement. In the event that any other broker or finder makes a claim for a commission or finder's fee based upon any contact, dealings or communication, the party whose conduct is the basis for the broker or finder making its claim shall indemnify, defend and hold harmless the other party against and from any commission, fee, liability, damage, cost and expense, including without limitation reasonable attorneys' fees, arising out of or resulting from any such claim. The provisions of this Paragraph 15(b) shall survive the Closing, or in the event that the Closing does not occur, the termination of this Agreement.

(c) Successors and Assigns. Purchaser reserves the right to take title to the Property in the name of a nominee or assignee; provided, (i) any such assignee or nominee shall assume all of Purchaser's obligations hereunder, and (ii) Purchaser shall nevertheless remain primarily liable under this Agreement up to and including the Closing but shall be released from its obligations hereunder from and after the Closing and such nominee or assignee shall assume all of Purchaser's obligations hereunder from and after the Closing. Upon notification to Seller of any such assignment, Seller's representations and warranties hereunder shall be deemed remade to such assignee as of the date of such assignment. This Agreement shall be binding upon the successors and assigns of the parties hereto. Without limiting the foregoing, if Seller liquidates prior to satisfying all of Seller's obligations hereunder, Purchaser shall have recourse against the proceeds distributed in such liquidation to the extent of any unsatisfied obligations of Seller hereunder.

(d) Amendments. Except as otherwise provided herein, this Agreement may be amended or modified only by a written instrument executed by Seller and Purchaser.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

(f) Merger of Prior Agreements. This Agreement and the exhibits and schedules hereto, constitutes the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof.

(g) Enforcement. If either party hereto fails to perform any of its obligations under this Agreement or if a dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Agreement, then the defaulting party or the party not prevailing in such dispute shall pay any and all costs and expenses incurred by the other party on account of such default and/or in enforcing or establishing its rights hereunder, including, without limitation, court costs and attorneys' fees and disbursements. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment. The provisions of this Paragraph 15(g) shall survive the Closing, or in the event that the Closing does not occur, the termination of this Agreement.

(h) Time of the Essence. Time is of the essence of this Agreement. In computing any period of time pursuant to this Agreement, the day of the act or event from which the designated period of time begins to run will not be included. The last day of the period so computed will be included, unless it is not a business day, in which event, the period shall run until the end of the next day which is a business day. The term "business day," as used herein, means a calendar day other than a Saturday, Sunday or legal holiday observed by the State of Illinois.

(i) Severability. If any provision of this Agreement, or the application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

(j) Marketing. During the term of this Agreement, Seller shall not list the Property with any broker or otherwise solicit or make or accept any offers to sell the Property, engage in any discussions or negotiations with any third party with respect to the sale or other disposition or financing of the Property, or enter into any contracts or agreements (whether binding or not) regarding any disposition or financing of the Property.

(k) Confidentiality. Each party agrees to maintain in confidence, and not to disclose to any third party, the information contained in this Agreement or pertaining to the sale contemplated hereby and the information and data furnished or made available by Seller to Purchaser, its agents and representatives in connection with Purchaser's investigation of the Property and the transactions contemplated by the Agreement; provided, however, that each party, its agents and representatives may disclose such information and data (a) to such party's accountants, attorneys, prospective lenders, accountants, partners, consultants and other advisors in connection with the transactions contemplated by this Agreement (collectively "Representatives") to the extent that such Representatives reasonably need to know (in Purchaser's or Seller's reasonable discretion) such information and data in order to assist, and perform services on behalf of, Purchaser or Seller; (b) to the extent required by any applicable statute, law, regulation, governmental authority or court order; (c) in connection with any securities filings, registration statements or similar filings undertaken by Purchaser; and (d) in connection with any litigation that may arise between the parties in connection with the transactions contemplated by this Agreement. Purchaser shall consult with Seller prior to making any press release intended for general circulation regarding the transactions contemplated hereunder. The provisions of this Paragraph 15(k) shall survive the Closing, or in the event that the Closing does not occur, the termination of this Agreement.

(l) Return of Documents. In the event that this Agreement terminates, Purchaser shall return to Seller all due diligence materials and all copies thereof delivered by Seller to Purchaser hereunder, including without limitation, the Due Diligence Items.

(m) Counterparts and Facsimile Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, when taken together, shall be deemed to be one agreement. This Agreement may be executed pursuant to original or facsimile copies of signatures, with the same effect as if the parties had signed the document pursuant to original signature.

(n) Limited Liability. The obligations of Purchaser are intended to be binding only on Purchaser and the property of Purchaser, and shall not be personally binding upon, nor shall any resort be had to, the private properties of any of its trustees, officers, beneficiaries, directors, members, or shareholders, or of its investment manager, the general partners, officers, directors, members, or shareholders thereof, or any employees or agents of Purchaser or its investment manager.

(o) Exculpatory Language. Purchaser acknowledges that Seller is a land trust and that Seller may attach its customary exculpatory provision to this Agreement and any closing documentation and when so attached, such a provision shall become a part of this Agreement and any closing documentation, as applicable.

(p) No Recording. To the maximum extent permitted under applicable law, Purchaser agrees not to record this Agreement. This Section will survive the termination of this Agreement.

(q) Like Kind Exchange. Purchaser and Seller agree that either party or any of its beneficiaries with respect to Seller may elect to structure the conveyance of the Property as an exchange pursuant to Section 1031 of the Code, provided that such party gives notice of such election to the other party at least five (5) business days prior to the Closing Date, but in the event Purchaser elects to exchange, Seller shall receive cash at closing, and in the event that Seller or any of its beneficiaries elects to exchange, Purchaser shall not be required to take title to any property other than the Property. If such an exchange is elected by such party (the “Electing Party”), the Electing Party and the other party may enter into an exchange agreement acceptable to both Purchaser and Seller. As an alternative, the Electing Party may elect to enter into an exchange agreement (or any other arrangement) with a third party to effect such exchange in accordance with Section 1031 of the Code. Neither party makes any representation or guarantee to the other that the transactions contemplated under this provision will result in any particular tax treatment to the other party, or will qualify as an exchange under Section 1031 of the Code.

The Electing Party will assume all costs and expenses, including attorneys' fees, incurred in connection with such election to structure the transaction as an exchange in accordance with Section 1031 of the Code. In the event that Seller elects to assign any of its rights or interests under this Agreement to any deferred exchange company (or other entity) pursuant to any such exchange pursuant to Section 1031 of the Code, then Purchaser hereby covenants and agrees that it will not object to any subsequent re-assignment by such deferred exchange company (or other entity) to Seller of any (or any portion of) such rights and interests. The terms of this Section shall survive the Closing hereof. Seller and Purchaser agree that, at the request of the Electing Party, each will execute such agreements and other documents as may be necessary, in the reasonable opinion of respective counsel for the parties, to complete and otherwise effectuate any exchange in accordance with Section 1031 of the Code. The Electing Party agrees that it will indemnify and hold the other party harmless in connection with any actual loss, cost or damages suffered by such other party concerning or arising out of such exchange or deferred exchange, which indemnification shall survive the Closing hereof. Purchaser and Seller acknowledge and confirm that the terms and provisions of this Section shall apply to any "reverse exchange" made or undertaken by either party pursuant to I.R.S. Rev. Proc. 2000-37 (or any other term or provision of the Code or any regulations promulgated thereunder), as well as any other exchange made pursuant to Section 1031 of the Code.

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

PURCHASER:	Equinix Operating Co., Inc. a Delaware corporation
Please initial Paragraph 7(a) above	By: /s/ KEITH TAYLOR Name: Keith Taylor Its CFO
SELLER:	Amalgamated Bank of Chicago, f/k/a Amalgamated Trust and Savings Bank, not personally but as Trustee under Trust Agreement dated May 1, 1970 and known as Trust Number 2167
Please initial Paragraph 7(a) above	By: Its: SEE RIDER ATTACHED FOR SIGNATURE OF TRUSTEE

RIDER ATTACHED TO PURCHASE AGREEMENT
DATED FEBRUARY 3, 2006

This contract is executed by AMALGAMATED BANK OF CHICAGO, not personally but as trustee as aforesaid, as Purchaser in the exercise of the power and authority conferred upon and vested in it as such trustee, and under a certain Trust Agreement with the AMALGAMATED BANK OF CHICAGO. It is expressly understood and agreed that nothing herein contained shall be construed as creating any liability whatsoever, express or implied, against said trustee personally, and in particular, without limiting the generality of the foregoing, said trustee shall have no personal liability to pay any indeptedness accruing under said contract, or to perform any covenant or agreement, either express or implied, therein contained and that all personal liability of said AMALGAMATED BANK OF CHICAGO of any sort is hereby expressly waived by said Seller, and by personal now or hereafter claiming any right or security hereunder, and that so far as said AMALGAMATED BANK OF CHICAGO is concerned, the owner of any indeptedness or liability accruing hereunder shall look solely to the funds paid under said contract, or the aggregate thereof, for the satisfaction of any such indebtedness or liability, and to the Seller's right to forfeit this contract and re-enter into possession of the real estate after default. Further that no duty shall rest upon AMALGAMETED BANK OF CHICAGO, either personally or as such trustee, to sequester trust assets, rentals, avails, or proceeds of any kind, or otherwise to see to the fulfillment or discharge of any obligation, express or implied, whether asserted except where said trustee is acting pursuant to direction as provided by the terms of said trust, and after the trustee has first been supplied with funds required for the purpose. In the event of conflict between the terms of this rider and of the agreement to which it is attached, on any questions of apparent liability or obligation resting upon said trustee, the provisions of this rider shall be controlling.

It is expressly understood and agreed by every person, firm or corporation claiming any interest in this document that ALALGAMATED BANK OF CHICAGO shall have no liability, contingent or otherwise arising out of, or in any way related to (i) the presence, disposal, release or threatened release of any hazardous materials, on, over, under, from, or affecting the property or the soil, water, vegetation, buildings, personal property, persons or animals thereof; (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of our related to such hazardous materials; (iii) any lawsuit brought or threatened, settlement reached or government order relating to such hazardous materials, and/or (iv) any violation of laws, orders, regulations, requirements, or demands of government authorities, or any policies or requirements of the Trustee, which are based upon or in any way related to such hazardous materials including without limitation, attorneys and consultants' fees, investigation and laboratory fees, court costs, and litigation expenses.

ALALGAMATED BANK OF CHIGAGO,
AS TRUSTEE UNDER TRUST NO. 2167 AND NOT
PERSONALLY.

BY: /s/ Irving Polakow, Vice President
ATTEST: /s/ Felipo J. Mendoza, Assistant Secretary

FIRST AMENDMENT TO SUBLEASE

THIS FIRST AMENDMENT TO SUBLEASE is made and entered into as of this 28th day of February, 2006 (the "Effective Date"), by and between **ELECTRONICS FOR IMAGING, INC., a Delaware corporation ("Landlord")** and **EQUINIX OPERATING CO., INC. a Delaware corporation ("Tenant").**

W I T N E S S E T H

WHEREAS, Landlord has leased those certain premises on the 5th floor located at 301 Velocity Way, Foster City, CA, 94404 to Tenant, pursuant to that certain Sublease Agreement dated February 12, 2003, by and between Landlord and Tenant (the "Sublease").

AND WHEREAS, Landlord and Tenant wish to amend the Sublease to (1) add 19,713 of rentable square feet on the 4th floor, as depicted on the attached Exhibit "A", and (2) extend the term of the Lease through March 31, 2011, upon the same basic terms and conditions as the original Sublease.

NOW, THEREFORE, in consideration of these presents and the mutual promises and covenants of the parties contained herein, Landlord and Tenant agree that the Sublease shall be and is hereby amended as follows:

1. The total square footage of the Leased Premises as defined in Section 1.1 shall be increased to 53,787 rentable square feet, consisting of 34,074 square feet with respect to the 5th floor (the "5th Floor Leased Premises") and 19,713 square feet with respect to the 4th floor (the "4th Floor Leased Premises"). The 4th Floor Leased Premises are outlined on the Floor Plan attached hereto as Exhibit "A". Exhibit "C" of the Sublease is hereby replaced with the attached Exhibit "A" and Exhibit "B".
2. The load factor as defined in Section 1.1 shall be increased to 7.56%.
3. Tenant's Expense Share of the Building as defined in Section 1.1 shall be increased to 34.64%.
4. The Lease Expiration Date as defined in Section 1.1 shall be March 31, 2011, unless (a) earlier terminated by Landlord in accordance with the terms of the Sublease, or (b) extended pursuant to Article 15 of the Sublease.

5. The Base Monthly Rent defined in Sections 1.1 and 3.1 shall be amended as follows and shall be due and payable commencing on the 4th Floor Rent Commencement Date (defined below):

04/1/06 – 03/31/07	$148,228.01
04/1/07 – 03/31/08	$152.620.61
04/1/08 – 03/31/09	$157,192.51
04/1/09 – 03/31/10	$161,854.05
04/1/10 – 03/31/11	$166,650.06

6. Landlord’s Work:

a. Landlord shall perform the following work and make the following installations in the 4th Floor Leased Premises at Landlord’s sole cost and expense (collectively, the “Landlord’s Work”):

i. Landlord will modify the lab areas and kitchen area on the 4th floor as depicted on the attached Exhibit “A” as well as the kitchen area on the 5th floor as depicted on the attached Exhibit “B”.

ii. Landlord shall cause to be installed in the 4th Floor Leased Premises the furniture described in the attached Exhibit “C”. Such furniture shall be Herman Miller Ethospace furniture, and shall be consistent with the furniture provided by Landlord in the 5th Floor Leased Premises.

iii. Landlord will provide Data, Power and AV as per the attached Exhibit “D”.

b. Landlord shall obtain all building and other permits necessary in connection with the Landlord’s Work.

c. Landlord shall complete the Landlord’s Work on or before April 1, 2006. Notwithstanding anything to the contrary herein or in the Sublease, the Base Monthly Rent set forth in Section 5 above shall not commence until the later of (1) April 1, 2006, and (2) the date that Landlord’s Work is deemed completed upon verification by Tenant that all structural punch list items have been addressed by Landlord and the Landlord’s Work has been accepted as completed by Tenant (the “4th Floor Rent Commencement Date”). Tenant shall continue to pay the Base Monthly Rent set forth in Section 8 below until the 4th Floor Rent Commencement Date.

7. Access:

Upon the Effective Date, Landlord shall deliver to Tenant possession of the 4th Floor Leased Premises as shown on Exhibit “A” hereto, which possession shall be governed by all of the terms, conditions, rights and obligations of the Sublease, except as otherwise provided herein.

8. Letter Agreement:

That certain Letter Agreement dated as of October 31, 2005, between Landlord and Tenant is hereby deleted its entirety and shall be of no further force and effect. Notwithstanding the foregoing, Tenant shall continue to pay Base Monthly Rent for the Leased Premises in the amount of $102,313.85 until the 4th Floor Rent Commencement Date.

9. Miscellaneous: Except as expressly modified and amended herein, all other terms and conditions of the Sublease shall remain in full force and effect. Defined terms used herein but not otherwise defined shall have the meanings ascribed to such terms in the Sublease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment to Sublease as of the Effective Date.

LANDLORD

ELECTRONICS FOR IMAGING, INC.,
a Delaware Corporation

/s/ Joseph Cutts

By: Joseph Cutts, COO

TENANT:

EQUINIX OPERATING CO., INC.,
a Delaware Corporation

/s/ Keith D. Taylor

By: Keith D. Taylor, CFO

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 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
Equinix RP, Inc.	Delaware
Equinix RP II LLC	Delaware
CHI 3, LLC	Delaware

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: May 3, 2006

/s/ PETER F. VAN CAMP

Peter F. Van Camp
Chairman of the Board, Chief Executive Officer and President

Exhibit 31.2

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

I, Keith D. Taylor, 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: May 3, 2006

/s/ KEITH D. TAYLOR

Keith D. Taylor
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 March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter F. Van Camp, Chairman of the Board, Chief Executive Officer and President 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
Chairman of the Board, Chief Executive Officer and President
May 3, 2006

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 March 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Keith D. Taylor, 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/ KEITH D. TAYLOR

Keith D. Taylor
Chief Financial Officer
May 3, 2006